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ROYALTY MANAGEMENT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON MINERAL RESOURCES DEVELOPMENT AND PRODUCTION

OF THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON THE

DEPARTMENT OF THE INTERIOR'S ROYALTY MANAGEMENT PROGRAM

JULY 12, 1988

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CONTENTS

STATEMENTS

	Page
Chavez, Ervin, president, Shii Shi Keyah Association	49
Collins, Gary, chairman, Arapaho Indian Tribe	135
Melcher, Hon. John, U.S. Senator from Montana	1
Nielson, Dr. Dianne R., director, Utah Division of Oil, Gas and Mining, State of Utah	153
Taradash, Alan R., generai counsel, Shii Shi Keyah Association	13
Velarde, Thurman, oil and gas administrator, Jicarilla Apache Tribe	3
Washakie, John, chairman, Shoshone Indian Tribe	134
White Tail Feather, Raymond, chairman, Assiniboine and Sioux Tribes of Fort Peck Reservation, accompanied by Marvin Sonosky, Esq., counsel	62

APPENDIX

Additional material submitted for the record	161

ROYALTY MANAGEMENT PROGRAM

TUESDAY, JULY 12, 1988

U.S. SENATE,
SUBCOMMITTEE ON MINERAL RESOURCES
DEVELOPMENT AND PRODUCTION,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met at 10:10 a.m. in room SD-366, Dirksen Senate Office Building, Hon. John Melcher presiding.

OPENING STATEMENT OF HON. JOHN MELCHER, U.S. SENATOR FROM MONTANA

Senator MELCHER. The Subcommittee will come to order.

Not quite 8 years ago, in November and December of 1980, confronted with reports that there were discrepancies in management and collection of oil and gas royalties on Indian reservations and federal leases, we started a series of investigative hearings and examinations on behalf of the Indian Affairs Committee of the Senate.

Out of those preliminary investigations and hearings, the Department of the Interior, under Secretary James Watt, set up a commission to review the circumstances and make recommendations to the President as well as the Congress.

As a result of all that, legislation was passed setting up the Minerals Management Service in the Department of the Interior. The states and the tribes wanted to have a thorough, complete and honest collection of royalties off of Indian lands and off of federal lands.

By and large, we have waited and reviewed the efforts of the Department of the Interior to develop a royalty management program that worked and that the public, not just the Indian tribes and the states, but the public at large, had confidence in.

Now, it was almost eight years ago when they started this investigation and hearings that led to enactment of the new law. And as we view it here in 1988, we think there are plenty of flaws yet.

We had one hearing in this Subcommittee earlier this year where the Department of the Interior asserted they thought the Minerals Management Service was doing a job and it was complete. But the inspector general of the Department of the Interior found room for criticism.

We view this very seriously. This year there has been some media attention to charges that collections off of Indian reservations for the royalties associated with production of oil and gas is not complete, is not accountable and that it is dishonest.

We have to take note of that here in Congress and that is the reason for our hearings in this Subcommittee. We have jurisdiction over the matter and this is the Committee that enacted the law as far as the Senate side is concerned—on the House side, it was in the Interior Committee—that set up the Minerals Management Service.

So we feel that the proper people to inform us on what kind of job the Minerals Management Service is doing are the Indian tribes and the states.

Today we are going to hear from representatives of several tribes that have production of oil and gas.

In connection with our hearing in May, in fact prior to the hearing in May, we asked the Office of Technology Assessment to fill us in on how they view, how they find the management of federal mineral royalties, and whether they are efficient and effective. This includes Indian mineral royalties.

We have also asked the General Accounting Office to review the operation of Interior's royalty management program. We note in the letter of May 13th, the letter sent by myself to the General Accounting Office and to the Comptroller General, Charles A. Bowsher, that there are persistent allegations of significant problems in the management and operations of the program, and that we would hope that the enactment of the Federal Oil and Gas Royalty Management Act of 1982 had remedied that situation.

We asked them to review the Bureau of Land Management's responsibility for the inspection of the 21,000 onshore federal and Indian leases to verify production. We have asked for some specific points from them in their evaluation.

We probably will not get that report until some time next year. But some time before the adjournment of this Congress in October, we would hope to have some preliminary information from them, and we would expect to have another oversight hearing with regard to whatever their preliminary report turns up.

I bring this to the attention of the witnesses now because I want to stress the fact that this is ongoing, continuous oversight by this Subcommittee, with the attention of the full Committee being focused on it, too. Chairman Johnston joined with me in asking for the Office of Technology Assessment to review these matters and to report back to us.

We have asked the states which have significant numbers of federal leases or are states where tribes that have producing leases are located within their boundaries to pay attention to this and to advise us.

We will probably get for this hearing testimony from the State of Utah and perhaps other states, and the hearing record will remain open for any testimony of that nature that states choose to submit to us.

Senator Wallop, do you have an opening statement?

Senator WALLOP. No, Mr. Chairman, I do not. I appreciate the hearing.

Senator MELCHER. Thank you.

We will hear first of all from Thurman Velarde, Oil and Gas Administrator for the Jicarilla Apache Tribe, Dulce, New Mexico. Mr. Velarde.

STATEMENT OF THURMAN VELARDE, OIL AND GAS ADMINISTRATOR, JICARILLA APACHE TRIBE

Mr. VELARDE. Thank you.

Senator Melcher, ladies and gentlemen, I appreciate the opportunity to appear before you and present the concerns of my tribe with regard to its oil and gas royalty collection and disbursement, physical accounting and auditing.

I am the oil and gas administrator for the Jicarilla Apache Tribe and am responsible for all of these matters for oil and gas leases, tribal production, and non-standard agreements entered into pursuant to the Indian Minerals Development Act of 1982.

I am a member of the royalty management advisory committee and, along with the tribal attorneys, have been the primary person focusing on these issues on behalf of the tribe during the establishment of FOGRMA and the creation of the Minerals Management Service.

Although millions of dollars have been spent by the federal government in a system, as well as revision of—let me start again.

Although millions of dollars have been spent by the federal government in a system, as well as revisions of regulations pertaining to oil and gas leases, there has been little if any improvement over the system that existed prior to FOGRMA.

In my opinion, much of this effort has been a waste of money. But I doubt that this system is likely to be changed, and therefore I am dedicated to making as many improvements as possible within the framework of the system that has been designed.

I feel that the Indian tribes have been used by MMS to achieve the basic goals of the oil and gas industry to reduce the value on which royalties are paid and to disregard the trust responsibility of the United States to Indian tribes. Many dedicated individuals from the oil and gas producing tribes diligently work with the Department of Interior to identify our problems and needs, but our concerns have not been addressed.

Instead, MMS has used our meetings with MMS as data to present to the Senate evidencing their consultation with Indian tribes, and therefore many of the meetings that were held were in my opinion for show only and not for serious consideration of the concerns of Indian tribes.

It seems to me that after many years of working with the federal bureaucracy, every time Indian tribes want something from the federal government, whether it be specific reports from MMS on direct funding to tribes, the federal government or agency will put it on the table for study.

While it is under study, government experts will present all kinds of reasons and evidence of why what the Indians want is not feasible, so it cannot be done.

In my business, I hear two excuses most often. That is, it will place too much burden on industry, or it will cost the government too much money.

So when all is said and done, Indian tribes still have less than what they had asked for.

Now, I would like to address the specific concerns that we have in an abbreviated form, as detailed discussion of any of these complicated issues will require a much longer statement.

Therefore, the following are highlights of the problems that we have encountered and continue to encounter from the royalty management system. We have addressed our concerns to Mr. Cason, Deputy Assistant Secretary, Land and Minerals Management, but he believes all the problems are resolved. They are not resolved.

Number one, auditing and financial accounting system. Information generated by AFS is available to tribes on a system referred to as STATSS, and our tribe has been provided a computer terminal to obtain the information from STATSS. That computer terminal has been unplugged because the data base is not reliable.

Therefore, the accountants in my office are not able to utilize STATTS as it has been conceived. And I believe that at this point STATSS is a complete failure. The concept is a good one, but a great deal of work needs to be done in order to make it functional.

The data in the STATSS system has inaccurate information. Before it can be used by tribes, it must be—someone must go through the whole system and make the necessary corrections for Indian tribes to utilize this data.

We in our office do not have the time to put into making these corrections. Without this particular information each and every month, the reports generated by AFS for the tribes and the 2014's are minimally useful. Therefore, MMS is not requiring any reporting of extracted liquids or dual accounting, even though the 2014 form provides for such information.

And the Tenth Circuit Court of Appeals in *Jicarilla Apache Tribe* v. *Supron* has required dual accounting on all leases, whether or not they are plant owners. This decision has recently been confirmed by the United States District Court in *Jicarilla Apache Tribe* v. *Conoco.*

MMS assured the tribes that they would require that royalties be paid in accordance with the lease provisions as interpreted by the courts, but have yet to issue an order to producers for dual accounting.

Number two, value determinations. Determinations of value of production for royalty purposes are not being made. Even the new regulations of MMS require a majority portion analysis to determine the minimum price on which royalties are calculated for Indian leases. No majority portion analyses have been performed.

MMS maintains a royalty valuation division, but as far as I know no royalty valuations have been made and no determinations of value have been issued by MMS. Under the terms of our oil and gas leases, royalties are to be paid on value as determined by the Secretary, and therefore determinations of value constitute a trust responsibility of the Secretary to the Indian tribes.

This trust responsibility is not being carried out.

Number three is production auditing and accounting system. MMS now claims that it has three separate PAAS systems. The initially designed PAAS system has been implemented offshore and on a pilot project onshore with some modifications.

El Paso Natural Gas Company has its own system outside of PAAS. The remainder of the onshore production is accounted for

on the old USGS system with slight modifications under a form entitled 3160–6.

Therefore, the millions of dollars that were spent on developing the PAAS system were of no benefit for onshore production and implementing of the real PAAS system onshore has been postponed indefinitely or cancelled. Meanwhile, the functions of production accounting that rested with USGS prior to FOGRMA and with BLM afterwards have been transferred to MMS.

The gas meter charts are not being checked and verified, nor are the oil production run statements verified. In effect, we have no production accounting in place at all, which is very disturbing at this point in time.

On auditing, auditing of royalty payments is conducted by the royalty compliance division of MMS, which has centralized most of its functions in Lakewood, Colorado. The auditors previously assigned to the Jicarilla accounts working out of the Albuquerque office were working closely with my accounting staff and making progress.

But they were either terminated or transferred to Lakewood. Now my accounting staff has no one to work with on a regular basis and is getting little if any cooperation from Lakewood.

The Jicarilla Apache Tribe has entered into joint audit agreements with MMS, which worked very well for a short period of time, but are now at a standstill. An audit of one producer has been pending now for three years, awaiting finalization by MMS.

We have other audits of major producers on the reservation ready to be done once the outstanding audits are completed. But we are getting no cooperation from RCD. There is no effort from RCD to make tribe-specific audits. Audits are only being conducted now by resident auditors and only on a company basis.

Therefore, only if a company happens to be audited and has production from the Jicarilla reservation is the Jicarilla well audited, then only after a six-year period cycle. Such an auditing program is unacceptable to the tribe, particularly since the reviews are not conducted 100 percent, but only on a sample basis.

We are making every effort to review internally all of the production from the Jicarilla Apache reservation 100 percent, but we cannot carry out this function without the assistance of MMS.

It should be noted that auditing without determination of value results basically in a determination of whether the arithmetic of a particular company report is correct. In my opinion, an audit of this nature is of little if any use. The audit must be a full range audit, including production, valuation, and payments.

On our royalty in kind sales, the Jicarilla Apache Tribe takes all of its interstate natural gas in-kind and sells that gas under contract to El Paso Natural Gas or Northwest Pipeline. Payments under the terms of these contracts were made directly to the tribe and no reporting is made to MMS. MMS at an early stage determined that it would not be responsible for monitoring RIK production or payments.

RIK gas sales constitute approximately 60 percent of the tribe's revenues and therefore such sales are an important matter to the tribe and need the attention of MMS. The tribe would like to cooperate with MMS on RIK sales, but MMS is not accustomed to coop-

erating or accommodating a tribe, but rather acting on its own without consultation.

On non-standard agreements, the accounting on non-standard agreements, it is only through constant needling by Indian tribes, our tribe and other tribes, that we managed to bring the MMS around to the thinking that it needed to begin accounting on non-standard agreements. Before this time, MMS had pretty much pushed this to the side, until Indian tribes continued to insist that MMS do accounting on these kind of agreements.

I hope that this brief outline of problems that the Jicarilla Apache Tribe has encountered with the MMS operations is of some assistance to the Senate in its oversight of Interior's royalty management program. I appreciate the opportunity to appear before you today to express the concerns of my tribe.

Thank you.

[The prepared statement of Mr. Velarde follows:]

THE JICARILLA APACHE TRIBE
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UNITED STATES SENATE
SUBCOMMITTEE ON MINERAL RESOURCES DEVELOPMENT AND PRODUCTION
ENERGY AND NATURAL RESOURCES COMMITTEE
OVERSIGHT HEARING
JULY 12, 1988

STATEMENT OF MR. THURMAN VELARDE
OIL AND GAS ADMINISTRATOR
JICARILLA APACHE TRIBE

Senator Melcher, Ladies and Gentlemen:

I appreciate the opportunity to appear before you and present the concerns of my Tribe with regard to its oil and gas royalty collection, disbursement, fiscal accounting, and auditing. I am the Oil and Gas Administrator for the Jicarilla Apache Tribe and am responsible for all of these matters for oil and gas leases, tribal production and non-standard agreements entered into pursuant to the Indian Mineral Development Act of 1982. I am a member of the Royalty Management Advisory Committee and along with the tribal attorneys have been the primary person focusing on these issues on behalf of the Tribe, during the establishment of FOGRMA and the creation of the Minerals Management Service. Although millions of dollars have been spent by the federal government in creation of MMS and development of various fiscal and production accounting systems as well as revision of regulations pertaining to oil and gas leases, there has been little if any improvement over the system that existed prior to FOGRMA. In my opinion, much of this effort has been a waste of money but I doubt that the system is likely to be changed, and therefore I am dedicated to making as many improvements as possible within the framework of the system that has been designed. I feel that the Indian tribes have been used by the MMS to achieve

the basic goals of the oil and gas industry to reduce the value on which royalties are paid and to disregard the trust responsibility of the United States to Indian tribes. Many dedicated individuals from the oil and gas producing tribes diligently worked with the Department of the Interior to identify our problems and needs, but our concerns have not been addressed. Instead, MMS has used our meetings with MMS as data to present to the Senate evidencing their consultation with Indian tribes and therefore many of the meetings that were held were, in my opinion, for show only and not for serious consideration of the concerns of the Indian tribes. It seems to me that after many years of trying to work with the federal bureaucracy - every time Indian Tribes want something from the federal government - whether it be specific reports from MMS or direct funding to Indian Tribes, the federal agency or bureaucracy will put it on the table for study. While it is under study, government experts will present all kinds of reasons why what the Indian wants is not feasible, so it can not be done. In my business, I hear two excuses most often, "it will place too much of a burden on industry" or "it will cost the government too much money." So when all is said and done- Indian Tribes still have less than what they asked for.

Now I would like to address the specific concerns that we have, in an abbreviated manner, as detailed discussion of any of these complicated issues would require a much longer statement. Therefore the following are highlights of the problems that we have encountered and continue to encounter for the royalty management system. We have addressed our concerns to Mr. Cason, Deputy Assistant Secretary - Land and Minerals Management but he believes all the problems are resolved. They are not resolved.

1. Auditing and Financial Accounting System (AFS). Information generated by AFS is available to tribes on a system referred to as STATSS and our Tribe has been provided a computer terminal to obtain the information from STATSS.

That computer terminal has been unplugged because the data base is not reliable. Therefore, the accountants in my office are not able to utilize STATSS as it has been conceived and I believe that at this point STATSS is a failure. The concept is a good one but a great deal of work needs to be done in order to make it functional. Without this particular information each and every month, the reports generated by AFS for the tribes and the 2014's are minimally useful. Furthermore, MMS is not requiring any reporting of extracted liquids or dual accounting even though the 2014 form provides for such information and the Tenth Circuit Court of Appeals in Jicarilla Apache Tribe v. Supron No. 75-247M has required dual accounting of all Lessees whether or not they are plant owners. This decision has been recently confirmed by the United States District Court in Jicarilla Apache Tribe v. Conoco et al. No. 76-430. MMS assured the tribes that they would require that royalties be paid in accordance with the lease provisions as interpreted by the Courts but have yet to issue any order to producers for dual accounting.

2. Value Determinations. Determinations of value of production for royalty purposes are not being made. Even though the new regulations of MMS require a majority portion analysis to determine the minimum price upon which royalties are calculated for Indian leases no majority portion analysis has been performed. MMS maintains a Royalty Valuation Division, but as far as I know no royalty valuations are being made and no determinations of value have been issued by MMS. Under the terms of our oil and gas leases, royalties are to be paid on value as determined by the Secretary and therefore determinations of value constitute a trust responsibility of the Secretary to the Indian tribes. This trust responsibility is not being carried out.

3. Production Auditing and Accounting System (PAAS). MMS now claims that it has three separate PAAS systems. The initially designed PAAS system has

been implemented offshore and on a pilot project on-shore with some modifications. El Paso Natural Gas Company is on its own system outside of PAAS. The remainder of the on-shore production is accounted for on the old U.S.G.S. system with slight modifications under a form entitled 3160-6. Therefore, the millions of dollars that were spent on developing the PAAS system were of no benefit for on-shore production and implementation of the real PAAS system on-shore has been postponed indefinitely or cancelled. Meanwhile, the functions of production accounting that rested with U.S.G.S. prior to FOGRMA and with BLM afterwards has been transferred to MMS. The gas meter charts are not being checked and verified nor are the oil production run statements verified. In effect, we have no production accounting system in place at all, which is very disturbing at this point in time. The Senate should insist that a legitimate workable production accounting system be established for on-shore production.

4. Auditing. Auditing of royalty payments is conducted by the Royalty Compliance Division of MMS, which has centralized most of its functions in Lakewood, Colorado. The auditors previously assigned to Jicarilla Apache accounts working out of the Albuquerque office were working closely with my accounting staff and making progress, but they were either terminated or transferred to Lakewood. Now my accounting staff has no one to work with on a regular basis and is getting little if any cooperation from Lakewood. The Jicarilla Apache Tribe has entered into a Joint Audit Agreement with MMS which worked very well for a short period of time but which is now at a stand still. An audit of one producer has been pending now for three years, awaiting finalization by MMS. We have other audits of major producers on the Reservation ready to begin once the outstanding audits are completed, but we are getting no cooperation from RCD. There is no effort by RCD to make tribe specific audits. Audits are only being conducted now by resident auditors and

only on a company basis. Therefore, only if a company happening to be audited has production from the Jicarilla Reservation is a Jicarilla well audited and then only on a six year cycle. Such an auditing program is unacceptable to the Tribe and particularly since the reviews are not conducted 100% but only on a sample basis. We are making every effort to review internally all of the production from the Jicarilla Reservation 100% but we cannot carry out this function without the assistance of MMS. It should also be noted that auditing without determinations of value results basically in a determination of whether the arithmetic of a particular company report is correct. In my opinion, an audit of this nature is of little if any use. The audit must be a full range audit, including production, valuation and payments. The audits will require determinations of proper payments pursuant to the RIK contracts of the Tribe.

5. RIK Sales. The Jicarilla Apache Tribe takes all of its interstate natural gas in-kind and sells that gas under contract to El Paso Natural Gas Company or Northwest Pipeline Corporation. Payments under the terms of these contracts are made directly to the Tribe and no reporting is made to MMS. MMS at an early stage, determined that it would not be responsible for monitoring RIK production or payments. RIK gas sales constitute approximately 60% of the Tribe's revenues and therefore such sales are an important matter to the Tribe and need the attention of MMS. The Tribe would like to cooperate with MMS on RIK sales but MMS is not accustomed to cooperating or accommodating a tribe but rather acting on its own without consultation.

6. Non-Standard Agreements. It is only through constant needling by Indian tribes that MMS decided to monitor non-standard agreements. I serve on a panel of the Royalty Management Advisory Committee wherein we recommended that MMS begin to monitor non-standard agreements.

I hope that this brief outline of problems that the Jicarilla Apache Tribe has

encountered with the MMS operations is of some assistance to the Senate in its oversight of Interior's royalty management program. I appreciate the opportunity to appear before you today and to express the concerns of my Tribe.

Senator MELCHER. Thank you very much, Thurman.

We will now hear from Mr. Taradash, general counsel for the Shii Shi Keyah Association. Did I say that correctly, Shii Shi?

STATEMENT OF ALAN R. TARADASH, ESQ., GENERAL COUNSEL, SHII SHI KEYAH ASSOCIATION

Mr. TARADASH. Pretty close, Senator. Shii Shi Keyah.

Senator MELCHER. Shii Shi Keyah.

Please proceed.

Mr. TARADASH. Thank you, Senator, members of the Committee.

My name is Alan Taradash and the law firm in which I am a partner is general counsel to the Jicarilla Apache Tribe, as well as to the Shii Shi Keyah Association, which is an unincorporated association of Navaho allottees that have oil and gas production in their allotments.

I would like to just briefly touch upon in oral remarks a few areas that I would like for there to be some focus and discussion on within the Senate. We have prepared written testimony and I would ask, Mr. Chairman, that those remarks be included as part of the record.

Senator MELCHER. The entire testimony that is submitted will be made part of the record, and you may proceed any way you see fit, Mr. Taradash.

Mr. TARADASH. Thank you, Mr. Chairman.

The Linowes Commission pointed out, among other things, that the oil and gas industry essentially operated on an honor system. From the perspective of the United States as a resource owner and from the perspective of the United States as a trustee for Indian tribes, there was the wholesale absence of any meaningful management of the mineral estates of the United States and of Indian tribes.

When the Linowes Commission report was digested and discussed and the Federal Oil and Gas Royalty Management Act of 1982 was ultimately passed, the purposes of the Act were at least, among other things, something more than simply accounting for receipts from sales of the mineral estates. And yet, when the Congress had passed the Act and the President had signed it and turned it over to the Secretary of the Interior for implementation, the Secretary created the Minerals Management Service and staffed it with people, as I understand it, principally coming from accounting backgrounds from the Internal Revenue Service, from the General Accounting Office, and similar backgrounds.

They designed an accounting system that to a limited extent kept track of the receipts of sales. They did not design a system to implement the Secretary's trust responsibility under the Federal Oil and Gas Royalty Management Act.

If when examining these problems you focus on the duties of the United States and hence the duties of the Secretary to fulfill the purposes of the Act and then take a look at the way the current system was designed, you will see very quickly where many of the deficiencies are.

If one looks at nearly every United States Supreme Court decision which finds that the United States has failed to fulfill its trust

responsibility to Indian tribes or has failed in some other duty to Indian tribes or Indian people, one of the comments that you will invariably see is that the trust responsibility and the special relationship formed the backdrop or the framework within which to examine the problem.

Now, that backdrop and framework was wholly absent when the system that we have now was designed. And understanding that, then it is fairly easy to see why many of the problems which I am about to mention exist.

The design of the accounting system for the receipts of sales and the design of the system to pass along the information regarding the origins of the royalty payments was done by the Minerals Management Service without any input whatsoever from the Bureau of Indian Affairs, the original design.

They did it and in depositions and questioning that came about in the lawsuit that we were involved in on behalf of the Shii Shi Keyah Association against the Secretary, people both within the BIA as well as the Minerals Management Service admitted that there was no consultation. The end user was not consulted.

And yet, when one consults with anyone in systems design, especially computer systems design, it is one of the first things that they mention, is that it is critical to ask the end user what they want to use the information for.

Under section 105(a) of FOGRMA there is a requirement that the Secretary provide to the recipient state, tribe, or allottee, along with the payment of royalties, an explanation of the origins of the payment. And that requires that the explanation be made in a manner that is useful to the recipient and that is understandable, because the basic purpose of the Act was to allow tribes to have more information about what was happening to the disposition of their mineral estates.

And hence what was contained in the explanation of payment and the manner of explanation was absolutely critical.

Now, with respect to allottees, MMS has taken the position routinely that their duties end when their computers generate the final product, either in the form of computer tape or paper that goes out their door. And that information is sent in the form of an Indian distribution report, goes to the BIA, and after that function is performed then their duties cease.

The reports that you see up here on the Hill that come from the Minerals Management Service and that purportedly address the Secretary's fulfillment of his responsibilities, you will note, very rarely deal with what the Bureau of Indian Affairs actually does with the information that it receives.

And yet, section 105(a) of the Act expressly states that the Secretary is to provide to the allottee an explanation of the origins of this payment.

Now, it is worth noting that the system was not designed to accomplish that statutory objective, and it is worth noting that in the reports that you get you will never see an explanation or even a factual examination of what happens at the user end when the actual individual owner of the mineral estate is attempting to get paid and is attempting to find out the origins of his payment.

That inquiry has never been made. And that is a fundamental problem that arises from the initial perspective that I mentioned.

The report of sales form that the Minerals Management Service has designed, which is denoted as the 2014, was originally intended to include a lot of additional information that is not on the form. And there are some places on the form that it is my understanding the operators have been instructed they need not fill out.

What we are left with on the report of sales form, the 2014, is a form that is submitted to the Minerals Management Service that purportedly accounts for sales, and the examination that is done is one of facial correctness of the information as applied to the form and arithmetic correctness in terms of the computations.

But that is not the Secretary's responsibility. Under Indian leases, the Secretary's responsibility is to ensure in section 2(a) of those leases that royalties are paid based on the highest price paid or offered for all of the hydrocarbon substances produced and saved.

And that is significantly different from the accounting function of merely adding up the receipts from sales. There is a lot, as Mr. Velarde mentioned, that goes into keeping track of pricing, making value determinations which are discretionary on the part of the Secretary, which require the exercise of the trust responsibility in that discretionary exercise.

And the system that is designed is not designed to do that. So that by design the Secretary is rendered incapable of fulfilling the trust responsibility of the United States. And the recent federal appeals court case of Pawnee versus the United States reconfirmed that the fiduciary responsibility with respect to Indian mineral estates is one the breach of which will render the United States financially liable to the individual tribe or allottee.

But you must recognize that the system as designed does not permit, if the system is used the way it is intended, does not permit the Secretary to fulfill that responsibility. So it is a matter almost that is predetermined, that there will be additional lawsuits necessary because by the very design of the system being used the Secretary is not capable of performing his trust responsibility.

That is the fundamental defect that comes from the initial perspective that I mentioned, and until that is changed you are not going to see the kind of fulfillment of the duties of the United States to the individual allottees and tribes that the law requires.

One of the recent determinations that we have been informed about in the—I believe it is the April 1988 report of the Minerals Management Service—is a decision to eliminate the requirement of reporting when there are no sales.

Now again, there can be production from oil and gas wells and yet, for a lot of reasons, there might not be any sales. But section 104(b) of FOGRMA does not talk about payment that is triggered by sales. What it refers to is the duty of the lessee is to pay royalties based on production the month following production.

It does not say the month following sales. The decision to eliminate the no sales reporting can have catastrophic effects on allottees, and the net effect is as follows. If you live from month to month on your royalty check, as many very poor allottees do—and

contrary to some of the recent images we have heard about, most allottees are very poor people.

These are people that can actually and do survive in some instances on less than $1,000 a year, and whose royalty checks could be less than $100 a month. They do not have bank accounts upon which to draw when these royalty checks do not come in.

Most of the public assistance offices and staff that provide welfare or food stamps routinely deny royalty recipients eligibility status because of the predicted revenue stream from the royalty payments. One of the most critical things, therefore, for these individuals to know is when there is not going to be a payment.

If the production ceases on their lands or if, for whatever reason, the payor has not paid when he should, that is the most critical time for those people to know that they are not going to get a check. Otherwise, the following happens.

The date of the month arrives on which they ordinarily would get their check. The check does not come in. They may wait a day or two, not having telephones and being far removed from the Bureau of Indian Affairs offices they have to go to.

They will then, at great expense, have to drive to that office to find out why they did not get a royalty check. Now, the reality is that the clerk or other person that they are obliged to see in that office has very limited information, and that information is what I previously mentioned, the Indian distribution report.

And that report will only contain the reports of sales. It will tell the individual person at the BIA absolutely nothing about the status of the allottee's wells. It will tell the person who is responding to the individual allottee absolutely nothing about when and if at all they can expect to receive additional royalties.

And as Mr. Chavez will explain a little bit later, the notion that the STATSS system made available to allottees through Bureau of Indian Affairs clerical personnel is absolutely an illusion that is sort of created for the benefit, I think, of Congress, because it certainly does not work at the user end.

All one would have to do is go out and ask any Navajo allottee that has gone to the Bureau of Indian Affairs office what their experience has been when they have attempted to access that system and get information.

It is interesting to note that that has never been done. Contrary to the reform movement in education, for example, that now requires a certain proficiency demonstration by students graduating from high school and wanting to go on to college, there is no proficiency exam for federal government employees in order to determine whether or not they keep their job.

It makes not one bit of difference, for example, if the Bureau of Indian Affairs personnel who are responding to an allottee's request for information about their producing wells is wholly incapable of explaining anything to that individual.

That will make no difference whatsoever in terms of continued employment, in terms of promotions. And it makes no difference whatsoever whether the federal government's trust responsibility to that allottee is routinely breached. It has no effect.

There is no accountability built into the system. Hence, in the prepared remarks that we submitted to the Committee for its con-

sideration, we drew the Committee's attention to the fact that these very functions that are attempting to be performed by the governmental institutions have historically been performed since oil and gas production began by banks. And if you do not like the way your bank responds to an inquiry about your account, you can take your business elsewhere. If you think that the bank has not properly accounted for all your money, serious consequences can flow to the bank.

None of those things are true with respect to federal government and the way it administered allottees' royalties or tribal royalties. Those are institutional deficiencies which are never going to be changed because of the nature of the institution.

Those same institutional deficiencies have greatly affected the design of the system. If you were to really find out, for example, as I did, how the hardware was originally purchased, the decisionmaking that went on, and why it was that the federal government chose to buy minicomputers instead of mainframe computers, you would be absolutely shocked.

I think Congressman Yates, who has gone into it in certain detail, has stories that are difficult for people to believe are true. But yet, having talked to some of the people working within the government when those decisions were made, I have very good reasons to believe they are true.

Those decisions, in other words to purchase hardware or to design the system, were not driven by problem-solving behavior as a banking institution would decide how to set up its trust accounting for oil and gas.

I have talked with the trust department of the Sun West Bank in New Mexico and the First National Bank of New Mexico, two of the largest banks in the state. Each have oil and gas trust accounting departments. They do not have the problems that the Minerals Management Service has. They perform the same functions for multiple royalty owners, and there are good valid reasons why they do not have those problems. And some of those are the reasons that I mentioned just previously.

The other point that I wanted to briefly touch upon Thurman Velarde also mentioned, and that is this. Under section 105(a) of FOGRMA, the language that appears there is that the Secretary shall provide certain information to the royalty recipients upon payments, and there are six described pieces of information.

And then the section of the Act goes on to say "and such other information as shall be agreed upon between the Secretary and the state, tribe, or allottee." That language was put in for a reason, and that language necessarily requires prior consultation before the system is designed.

And if you do not get prior consultation, as Mr. Velarde indicated never occurs, then you get the following, which was very nicely revealed in the Deputy Assistant Secretary's recent responses to the tribal concerns for changes in the production system.

The response is this: We have already designed the system, we have already spent millions of dollars in designing the vehicle to be the way it is. You are now asking us to make changes to accommodate informational needs which FOGRMA in 105(a) contemplated you had the right to ask for, for meaningful consultation.

And in the cost-benefit analysis that we are now providing you—which is a half-inch thick—we are telling you that as a matter of after the fact changes it cannot be justified.

And that is probably true, and it is true by design. If you do not meet the consultation requirement before you design the system, it is nearly inescapable that any changes asked for in the system to accommodate informational needs of the tribe, no matter how justified as an accounting matter, no matter how much required as a matter of management of the mineral estate, are going to be very difficult to justify economically because the system is not designed to account just for the Jicarilla mineral estate or Navajo allottee mineral estate. It is designed to account for all of the federal mineral estate as well.

So there is an enormously large system, a very complex system, which has already been designed. The decision to design it without consultation is the decision to knowingly breach the statutory requirement of the Secretary. That is routinely done.

Then at best, what we see from the tribal perspective is a show and tell session that is ostensibly for the purpose of consultation after the fact, and the results of which are preordained, and a report to the Congress which says there has been consultation.

And again, that, if you go back to my opening remarks, that is to be expected because there is no focus on fulfillment of the United States trust responsibility as a whole and the management of the mineral estate. And that is the other key point and the last one that I wanted to touch upon:

There is a huge difference between merely accounting for the gate receipts, so to speak, and management of the mineral estate as any knowledgeable and prudent owner would do. On July 20th we were informed by the Bureau of Indian Affairs that there is going to be an oil and gas lease sale for Navajo allottees on their allotments. And yet, there had been absolutely zero prior consultation or notice on the terms of the sale.

We have not been provided with any information that the necessary engineering studies have been done to determine the nature of the reserves. There has been absolutely no information as far as we know that has been examined in terms of what the production records show.

How the economic terms are arrived at, the amount that one should set as the minimum for bonus or for rental or for even the royalty rate, is an absolute mystery. The Bureau of Indian Affairs in the Navajo area office and in other offices does not have people that are trained and qualified in areas of petroleum engineering, for example, or oil and gas accounting.

You have clerks that may have backgrounds at best in education or forestry or some other such thing, that are just by education absolutely not qualified to do the job that they are doing. Of course, they get promoted for other reasons having to do with civil service rights, but that has nothing to do with performing the Secretary's duties to the tribes and allottees.

The lack of education could be made up for with proper training. In the recent report that I have seen from the Minerals Management Service, again I believe it is April 1988, there was reference made in that report to ten Bureau of Indian Affairs employees

being sent to Lakewood for a period, I believe it was, two to three days for training on operation of the STATSS system.

I have seen some Bureau of Indian Affairs training, and sitting people down in a room for three days in a row for eight hours a day and telling them what the system does is not the same as testing them to see if they can actually make it work.

And I would venture to say if anybody cared to look and inquire by sending in a real allottee to make a real inquiry of those people who are now, according to the report that you have been given, are trained to provide that information, that you will see they are wholly incapable of providing the information.

That is not the fulfillment of the responsibilities under FOGRMA that Congress had envisioned.

One last point is that, with respect to many, many Navajo allottees, they are elderly people that do not speak English very well, many not at all. It is therefore not only essential to understand the technical substance of what you are explaining, but to be able to explain it in Navajo so that they can understand it.

Congress did not make the requirement in 105(a) of FOGRMA to provide an explanation so that the explanation, the notice, if you will, ought to be understandable by the average person to whom it is directed, ought to apply. Otherwise, the requirement of the Act is simply meaningless.

The problems again that exist in my judgment are, if not entirely avoidable, at least to a large, large extent would have been very avoidable had there been a proper framework and a proper focus. That has never existed. It does not now exist.

We only grudgingly last year in the product valuation regulations got acceptance of the premise that there was a trust responsibility that had a direct effect on the nature of those product valuation regulations. And that should not have been necessary, for so many people to spend thousands of hours trying to persuade the Department of the Interior employees that they had a trust responsibility. And yet that is what it took.

I would be happy to answer other questions that the Committee might have, and I would leave the President of the Shii Shi Keyah Association, Mr. Ervin Chavez, to present you with particular details of other problems that individual allottees face.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Taradash follows:]

TESTIMONY OF ALAN R. TARADASH, ESQ.

NORDHAUS, HALTOM, TAYLOR, TARADASH & FRYE
Albuquerque, New Mexico
General Counsel
to the Jicarilla Apache Tribe and the Shii Shi Keyah Association

Before the Subcommittee on Mineral Resources Development and Production of
the Energy and Natural Resources Committee
United States Senate
Tuesday, July 12, 1988

Mr. Chairman, members of the committee, thank you very much for the opportunity to appear before the committee this morning to present to you testimony concerning oil and gas royalty collection, disbursement, fiscal accounting, auditing and site security on Indian leases.

My name is Alan Taradash and I am a partner in the law firm of Nordhaus, Haltom, Taylor, Taradash & Frye in Albuquerque, New Mexico. Our firm represents as general counsel or special counsel a number of Indian tribes in the southwestern part of the United States. We have a fair amount of experience in oil and gas matters that affect Indian tribes and Indian allottees, both before the Linnoes Commission's efforts and since the passage of the Federal Oil and Gas Royalty Management Act of 1982. While I do not wish to repeat much of the testimony that the committee has heard from other representatives or will hear later on this morning, I do wish to highlight some of the problem areas that remain unsolved and that require the close examination of this committee and possible action by it.

I. Accounting and Information Availability

Mr. Thurman Velarde, the oil and gas administrator of the Jicarilla Apache Tribe, in his testimony has touched upon some of the accounting problems that have yet to be resolved and which are critical to the proper administration of oil and gas production on Jicarilla lands and indeed on all tribal leases. The system that has been set up by the Minerals Management Service and the Bureau of Indian Affairs does not allow a tribe or an individual allottee to gain access to underlying data which is critical to a determination of the accuracy of oil and gas royalty payments being made. The much publicized STATSS system which has been described as allowing direct access to on-line data of the Minerals Management Service at Lakewood is limited in its data base and is ineffectual for the purposes of verifying the accounting information that the tribes must examine to determine accuracy of payment and production. In fact, with respect to production information, there is currently no information provided to tribes or allottees that comes from a production audit and accounting system separate from the financial system. The continued reliance upon the report of sales is wholly inconsistent with the duty of the United States as trustee under the lease payment provisions of the typical Indian oil and gas lease. The typical oil and gas lease that a tribe or allottee has provides that royalties are due based upon the value of the hydrocarbon substance that is produced and saved from the

lease. The system as designed, however, by the Minerals Management Service does not tie royalty payments to actual production within the month following the month of production. Only that which is reported on the Minerals Management Service 2014 report of sales, is taken into account as production. The need to verify the quantity and quality of production with that which is reported on a report of sales is obvious. Yet, tribes and allottees do not have a system in place that allows for that comparison. It is our understanding that the Minerals Management Service is currently working in an effort to develop such a system but we have yet to see the results of their efforts.

II. Information Regarding Origins of Payments and Navajo Allottees

The Secretary of the Interior is charged by Congress under the Federal Oil and Gas Royalty Management Act of 1982 with providing an explanation of payment to an individual allottee along with a royalty, rental, or other oil or gas related payment being made at the time of such payment. Only recently has the Department of the Interior begun to distribute explanations of payment. The original versions of such explanations of payments were nearly incomprehensible to the average Navajo allotee. There has been improvment with respect to the information that is desired. However, there is a fairly complete breakdown when it comes to providing a meaningful explanation of a payment or other oil and gas related account information when individuals go into the Bureau of Indian Affairs offices seeking such information. It is necessary to remember that the duties under FOGRMA have been placed with the Secretary and not with a particular agency of the Department of the Interior. However, the reality has been that the Minerals Management Service has designed a system without regard to the end user of that system or its sister agencies. With respect to tribes and allottees the Bureau of Indian Affairs has historically been the federal administrative agency that has been their most direct content. Hence, when the Minerals Management Service designed their systems to account for Indian oil and gas leases they did so without regard to the need to properly interface with the Bureau of Land Management and the Bureau of Indian Affairs. The Bureau of Land Management has responsibility over matters of site security and other on-lease matters while the Bureau of Indian Affairs has responsibility with respect to the administration of Individual Indian Money Accounts and other "on-reservation" matters. The Bureau of Indian Affairs, however, has been like the Bureau of Land Management, understaffed and staffed without regard to the necessary level of expertise to accomplish the tasks of assisting Navajo allottees and understanding matters pertaining to their oil and gas leases.

By way of a recent example, the committee should be aware that in a meeting of the Shii Shi Keyah Association this past month, the Bureau of Indian Affairs, at the request of the Association sent a representative who arrived mid-way through an all-day meeting and stayed for approximately 45 minutes. When given the podium to address the several hundred members of the Association, the individual indicated that he really did not know why he was there, but that the area office had asked him to explain that the area office has an individual in charge of lease compliance matters and if there are any questions regarding their oil and gas leases, they could be properly addressed to this individual. The very same individual he mentioned, however, has "explained" to an inquiring allottee that information contained on that allottee's explanation of payment was a lot of

"computer information which is not subject to being explained." This same Navajo allottee drove over 200 miles to my office to ask me to explain to her and her son the detail of her explanation of payment. Although it took 2 1/2 hours to go through each line with her and to make sure that she understood the information on the form, it was very productive because she was capable of understanding and had the Bureau of Indian Affairs had people properly trained with the time, it too could have provided her with that explanation. This is typical of the end user rating. The reports that have been submitted to the Congress with respect to the progress in these matters is misleading because they do not take into consideration whether the systems being set up, such as the Explanation of Payments System, are effective from the perspective of the end-user or consumer of that system. It is my strong recommendation that this committee consider holding field hearings so that more direct testimony can be elicited to determine whether the management systems that the Secretary of the Interior has in place for the purpose of fulfilling his trust responsibility to tribes and to allottees are working as intended. It is my considered judgment after a great deal of experience in these matters, that there is a huge difference between the paper reports submitted to the Congress by the Department of the Interior and the actual effective change from the perspective of the tribe or allottee who is the intended consumer or end-user of the government's system.

III. Systemic Problems

As this century comes to a close, it is a matter of common occurrence for any individual who possesses an electronic banking card to access his or her bank account from automated machines throughout the country. One can obtain through such access, instant information regarding an account and can withdraw or deposit money to one's account. However, the Department of the Interior through its Minerals Management Service and Bureau of Indian Affairs has managed to develop a system that can produce neither timely nor accurate information on a much more limited number of accounts than is presently maintained in the banking system in the United States. It is no grea mystery why this is the case. The banking functions being performed routinely by banks in the southwest include oil and gas accounting, not terribly different from that which is necessary for tribes and allottees. The design of those systems has been driven by normal banking and accounting considerations. By contrast, however, it seems that the design of the systems of the Minerals Management Service of the Bureau of Indian Affairs have been, if not, driven by institutional considerations unrelated to banking and accounting, at least significantly affected by such considerations. As a result, the systems as designed are not effective for the intended purposes. Congress contemplated in the passage of the Federal Oil and Gas Royalty Management Act of 1982, that the government would be capable of accounting for royalties, rentals, interests, and other payments due from federal and Indian leases, oil and gas leases in a financially sound manner. The continued critical reports of the general accounting office while they admit of some improvement in a number of areas, continue to point out to the Congress the remaining deficiencies in the systems. With the attempt to introduce a production audit and accounting system and to try to interface that with the fiscal accounting system, it is likely that we will see the end of the century before the federal government is able to properly account for Indian oil and gas royalties. It is very difficult to understand just why this system is perpetuated.

These functions are being already performed for others similarly situated by private banks. It is strongly recommended to this committee that such private banking be examined as a substitute for the work currently being performed by the Minerals Management System and the Bureau of Indian Affairs. The Federal Circuit Court of Appeals in the recent case of Pawnee v. United States underscored the fiduciary obligation that the United States has to Indian allottees in the management of oil and gas leases. This is not a new principal, but is the most recent in a long line of cases underscoring the financial and fiduciary obligations of the United States in the handling of Indian trust assets. It is time that the Congress of the United States act to compel the Department of the Interior to look at available alternative mechanisms for properly carrying out the United States Government's trust obligations.

On behalf of the Jicarilla Apache Tribe and the Shii Shi Keyah Association, I want to thank this committee for the opportunity to appear before it this morning and highlight some of the concerns that we have. If the committee has any questions, I'll be pleased to try to answer them. Thank you very much.

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August 15, 1988

FEDERAL EXPRESS

Senator John Melcher,
Chairman
Energy Committee's
Subcommittee on Mineral
Resource Development and
Production
United States Senate
Room 366
Dirksen Senate Office Building
Washington, D.C. 20510-6150

ATTENTION: PATTI BENEKE/WANDA FREEMAN

Dear Senator Melcher:

Pursuant to our oral testimony that we would be supplementing the record of the July 12, 1988 oversight hearings, enclosed herein please find for inclusion in the record of that hearing a summary explanation and attachments which exemplify the problems of the inadequacy of the system, design and implementation that the Secretary of the Interior, through the Minerals Management Service, has implemented in an attempt to account for all oil and gas production and royalties on Indian and Federal lands.

Should you have any questions or would like additional explanatory material beyond the summary explanation which accompanies the attachments, please let me know. I will be glad to respond.

Respectfully yours,

NORDHAUS, HALTOM, TAYLOR,
TARADASH & FRYE

BY
Alan R. Taradash

ART/cbb
cc: President Dale Vigil
Jicarilla Apache Tribe
(with attachments)

Thurman Velarde,
Oil and Gas Administrator
Jicarilla Apache Tribe
(with attachments)

David Wong,
Oil and Gas Accountant
Jicarilla Apache Tribe
(with attachments)

SUPPLEMENT TO THE TESTIMONY OF
THURMAN VELARDE, OIL AND GAS ADMINISTRATOR
JICARILLA APACHE TRIBE
DAVID WONG, OIL AND GAS ACCOUNTANT
JICARILLA APACHE TRIBE
AND
ALAN R. TARADASH, GENERAL COUNSEL
JICARILLA APACHE TRIBE
At the oversight hearings held
on July 12, 1988 before the
Senate Energy Committee's Subcommittee on
Mineral Resource Development and Production

The report of sales form which the Minerals Management Service uses and which is denoted as the 2014 form originally had a number of edit functions built into it. However, many of these edit functions which are critically important to meaningful accounting oversight for production of oil and gas on Indian lands have not been enforced. Attached hereto and incorporated herein by reference are copies of the payment documents received by the Jicarilla Apache Tribe from one production company which has producing oil and gas leases on Jicarilla lands. The committee will note that these reports were submitted in March of 1988 and April of 1988. An examination of these reports indicates that many of the 2014 edit functions have not been enforced because (A) amounts are being backed out (negative adjustments) which have not previously been reported as positive payments on the particular leases identified, and (B) this apparent anomaly has not triggered any MMS inquiry because monthly accounting oversight is not being conducted; therefore (C) the inescapable inference is that this 2014 edit function has been eliminated. The underscored material in the attached payment documents is illustrative of this phenomenon.

The unit value as it was originally designed in the software had a price range built into it that was deemed to be acceptable. This function also has been removed. Therefore, no one at MMS looks at anomalous unit values which appear from time to time. The systemic method for making these inquiries which had previously been built into the system also appears to have been removed entirely from it. It is critical that anomalous unit values be examined on a monthly basis and not every six years. The critical unit value determination is necessary for accurately accounting for royalties properly due for production. If the unit value is not accurate then, of course, the royalties which are predicated in part on the unit value are not accurate. It is essential that this edit function be restored to this system.

The edit function for royalty rates also as a practical matter been removed from the software system. It is worth noting, in this respect, that the reports that Congress has been receiving from the Minerals Management Service which tend to indicate that its error rate has been reduced significantly has been in part caused by the removal of many edit functions which would have caused errors to have been flagged. Instead of the accuracy and the integrity of the system being improved the range of acceptable, however erroneous, information has simply been increased.

On the 2014 the qualitative measure in column 14 and the calculation method in column 15 are not being utilized. The edit function should pick up anomalies in changes in Btu content, for example, of gas of more than 100 Btu's. However, the MMS system does not pick up this change. The failure to pick up these variations in Btu content also necessarily means that the Secretary is not properly accounting for royalty due on Indian production because with respect to natural gas, the royalties due are directly related to the Btu content.

Column 15, which deals with the calculation method pertains to dual accounting, take or pay payments, and Btu adjustments. MMS has verbally instructed producers to always fill in Btu adjustment (01) as their calculation method. The reason for this is that if other reasons were given it would require more lines of accounting information (which would be approximately five additional lines.)

The basic problem which permeates the reporting is that only arithmetic integrity is assured and not oil and gas monthly accounting review. The audit strategy cannot hope to accomplish the quality oversight that monthly accounting review provides. Therefore, when it is suggested to Congress that the six year audit strategy will be capable of properly accounting for all oil and gas production on Indian and federal lands, Congress must take a hard look at whether there is not more fantasy than reality to such an assertion. The current design of the Minerals Management Services System which has eliminated numerous important edit functions and which only insures arithmetic integrity of payments being made to the MMS insures that the Secretary of the Interior will be unable to fulfill his trust responsibility and his statutory responsibilities under the Federal Oil and Gas Royalty Management Act of 1982 to Indian Tribes. Other examples that manifest from this failure are present on the attached forms. For example: a mark has been placed beside several lines of information which deal with quantity adjustments of a volume of 19,721 MCF to 19,962 MCF and yet the royalty quantity is the same. If the sales quantity changes the royalty quantity also must change. Here the change did not occur yet this did not trigger any inquiry. Note also the marked material that shows that the royalty quantity when divided by the sales quantity should produce a royalty rate that is the same and yet here we have a royalty rate which differs by 1% and yet no inquiry has been triggered.

These are very serious problems that Congress can and should address in detail because the continued existence of these problems means that the honor system pointed out by the Linnowes Commission as being a source of major concern for federal and Indian leases continues to exist.

On behalf of the Jicarilla Apache Tribe, I wish to thank this committee for the opportunity to supplement the record and for its continued oversight into these matters.

Respectfully submitted,

NORDHAUS, HALTOM, TAYLOR,
TARADASH & FRYE

BY Alan R. Taradash
Alan R. Taradash

ART/cbb

RECEIPT

JICARILLA APACHE TRIBE

Budget Operating Account

DULCE, NEW MEXICO

Received of_____

NAME Unicon Producing Company
P. O. Box 2120

ADDRESS Houston, Texas - 77252-2120

DATE	DESCRIPTION	AMOUNT
2/25/88	January 1988 Oil and Gas Royalties from Unicon Producing Company: # 001-045-3502-000 - $59,1[illegible].15 # 001-045-3503-000 - $ 2,[illegible]1.[illegible]8 # 001-045-3521-000 - $ [illegible]2.67 $62,[illegible].20 Ck. No. 15555 dtd 2/26/88, Republic Bank Richmond Richmond, Texas	$62,340.20
		$62,340.20

March 23, 1988
Date

Gwendolyn Velarde, Tribal Treasurer
Signature and Title of Collector

UNICON PRODUCING COMPANY
P.O. BOX 2120
HOUSTON, TEXAS 77252-2120

No. 18555

FEB 2 9 1988 (113)

DATE				DOLLARS	CTS.
02	26	88	PAY SIXTY TWO THOUSAND EIGHT HUNDRED FORTY DOLLARS 20/100	$62,840.20	

Republic Bank Richmond Richmond, Texas

Pay To The Order of
JICARILLA APACHE TRIBE
P. O. BOX 2053
ALBUQUERQUE, NM 87103

UNICON PRODUCING COMPANY
ROYALTY ACCOUNT
Richard H. Wake
J. C. Gironard

TWO SIGNATURES REQUIRED FOR MORE THAN $50,000.00

⑈018555⑈ ⑆113115523⑆ 89 0079 5⑈

UTP-2288-A

UNICON PRODUCING COMPANY
P.O. BOX 2120 HOUSTON, TEXAS 77252-2120

18555

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES – DUPLICATE WILL NOT BE FURNISHED. (–) DENOTES DEDUCTION

MO.	YR.	PROPERTY NO.	PC	IC	MCF OR BBL.	GROSS VALUE	TAX	T/D	YOUR INTEREST	INTEREST VALUE
					JICARILLA APACHE TRIBE		$62,840.20			
					PAYOR CODE 73725					

PC-PRODUCT CODES 1-GAS 2-OIL 3-CONDENSATE 4-CASINGHEAD
IC-INTEREST CODES 1-WORKING 2-ROYALTY 3-OVERRIDE 4-OTHER
T/D-TAX/DEDUCT T-TAX D-DEDUCTION
S-STATE INCOME TAX E-EXCESS ROYALTY W-WINDFALL TAX
DETACH BEFORE DEPOSITING

January 1988 Oil and Gas Royalties from Unicon Producing Company.

# 001-045-3502-000	$ 59,166.15
# 001-045-3503-000	2,981.38
# 001-045-3521-000	692.67
	$ 62,840.20

	04	12/87	652.82	$	1.84	.1250	$	[illegible]	$	[illegible]	$	0.00	$	3,263.46	$ 4,915.41
		01/88	13,877.98	$	1.88	.1250	$	3,263.46	$	0.00	$	0.00	$	3,263.46	$
609-000047-0	04	12/87	5.10	$	1.73	.1247	$	1.10	$	0.00	$	0.00	$	1.10	
		01/88	0.00	$	0.00	.0000	$	0.00	$	0.00	$	0.00	$	0.00	$ 1.10
609-000103-0	02	01/88	0.00	$	0.00	.0000	$	0.00	$	0.00	$	0.00	$	0.00	
	04	09/87	107.10	$	1.61	.1267	$	21.84	$	0.00	$	0.00	$	21.84	
		12/87	4,605.90	$	1.66	.1250	$	1,073.01	$	0.00	$	0.00	$	1,073.01	
		01/88	20,450.75	$	1.85	.1250	$	4,731.79	$	0.00	$	0.00	$	4,731.79	$ 5,826.64
609-000107-0	02	01/88	196.89	$	15.20	.1250	$	374.09	$	0.00	$	0.00	$	374.09	
	04	11/87	26.52	$	1.74	.1254	$	5.78	$	0.00	$	0.00	$	5.78	
		12/87	240.95	$	4.27-	.1250	$	128.71-	$	0.00	$	0.00	$	128.71-	
		01/88	28,636.24	$	1.93	.1250	$	6,898.70	$	0.00	$	0.00	$	6,898.70	$ 7,149.86
609-000150-0	02	01/88	0.00	$	0.00	.0000	$	0.00	$	0.00	$	0.00	$	0.00	
	04	11/87	27,791.65	$	1.97	.1250	$	6,831.08	$	0.00	$	0.00	$	6,831.08	
		12/87	1,149.06	$	1.93	.1250	$	277.45	$	0.00	$	0.00	$	277.45	
		01/88	58,790.60	$	1.77	.1250	$	13,043.50	$	0.00	$	0.00	$	13,043.50	$ 20,152.03
609-000153-0	02	01/88	599.37	$	14.71	.1250	$	1,102.28	$	0.00	$	0.00	$	1,102.28	
	04	04/85	228.37	$	24.26	.1250	$	692.67	$	0.00	$	0.00	$	692.67	
		11/87	10,734.76	$	1.97	.1250	$	2,643.44	$	0.00	$	0.00	$	2,643.44	
		12/87	11,054.03	$	1.92	.1250	$	2,652.47	$	0.00	$	0.00	$	2,652.47	
		01/88	64,691.37	$	1.92	.1229	$	15,228.27	$	0.00	$	0.00	$	15,228.27	$ 22,319.13
609-000417-0	01	01/88	0.00	$	0.00	.0000	$	0.00	$	0.00	$	0.00	$	0.00	$ 0.00
609-000418-0	02	01/88	0.00	$	0.00	.0000	$	0.00	$	0.00	$	0.00	$	0.00	

70

RUN SORT: AIN210R BIAJL
REPORT ID: AIN210R
RUN DATE: 03/16/88
RUN TIME: 21:10:15

455
UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-JICARILLA APACHE TRIBE
FOR 02/23/88 THRU 03/16/88

REPORT PAGE: 0000785
REPORT PAGE: 000785

DISTRIBUTEE: 7455 JICARILLA-APACHE TRIBE

PAYOR: 73725 UNICON PRODUCING CO.

DOC ID: ROYL 00247960

LEASE NUM	PR CD	SALES MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
*	04	12/87	1,772.00	$ 2.13	.1250	$ 1,001.07	$ 0.00	$ 0.00	$ 1,001.07	
		01/88	5,908.68	$ 1.99	.1250	$ 1,471.96	$ 0.00	$ 0.00	$ 1,471.96	$ 2,473.03

REPORT ID: AR480R
RUN DATE: 01/24/88
RUN TIME: 22:17:41

REPORT MO/YR: 2/88
1. PAYOR'S NAME: UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR

Minerals Management Service — Royalty Management Program

REPORT OF SALES AND ROYALTY REMITTANCE

OIL AND GAS

MODEL MMS 2014

3. FEDERAL [ ] OR INDIAN [x]

3a. PAYOR ASSIGNED DOCUMENT NUMBER: INV-0783

REPORT PAGE: 0012370
PAYOR PAGE: 0000006

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH
1	455350397	TICARILLA'S	609-000010-0-002	02	00	001	01/88	01	00	189 .13	40	00	2474 .72	23 .64	374.34	07
2	455350397		609-000010-0-002	04	00	001	01/88	01	00	.			.	.	.	07
3	455350397		609-000010-0-003	04	00	001	01/88	01	00	643 .13	1100	01	1301 .77	80 .37	162.75	07
4	455350397		609-000010-0-004	02	00	001	01/88	01	00	586 .48	40	00	5445 .30	73 .34	1130.67	07
5	455350397		609-000010-0-004	04	00	001	01/88	01	00	13218 .55	1100	01	24774 .06	1652 .76	3596 .79	07
6	455350397		609-000010-0-004	04	00	002	01/88	01	00	16 .30	1100	01	31 .55	2 .04	3.75	07
7	455350397		609-000047-0-002	04	00	001	01/88	01	00	.			.	.	.	07
8	455350397		609-000103-0-001	02	00	001	01/88	01	00	.		00	.	.	.	07
9	455350397		609-000103-0-001	04	00	001	01/88	01	00	20425.15	1100	01	37854 .25	2522 .63	4731 .79	07
10	455350397		609-000107-0-001	02	00	001	01/88	01	00	196 .97	40	00	2993 .23	24 .61	374.34	07
11										.			.	.	.	
12										.			.	.	.	
13										.			.	.	.	

REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	CHECKS TO MMS	(01)	.
23	PAYMENTS TO OTHERS	(02)	.
24	EFT TO MMS	(03)	.
25	ROYALTY-IN-KIND	(04)	.
26	CHECKS TO MMS FOR BIA	(05)	.
27	EFT TO BIA	(06)	.
28	PAYMENTS TO LOCKBOXES	(07)	.
29	TOTAL OF ITEMS 22 - 28		.

OMB 1010-0022
(Exp. March 31, 1988)

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

WARNING: PUBLIC LAW 97-451 PROVIDES CIVIL AND CRIMINAL PENALTIES FOR FALSE OR INACCURATE REPORTING. Failure to report as required under the terms of the lease, permit, or contract may result in suspension or operations of other enforcement actions. I have read and examined the statements in this report and agree they are accurate and complete.

20. PAGE TOTAL: 9374 .34

21. REPORT TOTAL: 73335 .39

30. _____
Name (typed or printed) and authorized signature — Date

31. _____
Name of Preparer — Telephone

REPORT ID : ARR660R
RUN DATE : 01/24/88
RUN TIME : 22:17:41

REPORT MO/YR 2/88
1. PAYOR'S NAME: UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service – Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
MODEL MMS-2014

3. FEDERAL | | OR INDIAN | x |

3a. PAYOR ASSIGNED DOCUMENT NUMBER IND-0288

REPORT PAGE: 0012071
PAYOR PAGE: 0000007

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH	
1	45535039T	JKARKLAS	609-000107-0-001	04	00	001	01/88	01	00	28636.24	1100	01	55189.27	3579.50	6898.70	07	
2	45535039T		609-000150-0-001	02	00	001	01/88	~~01~~ 20	00	.		00	.	.	.	07	0
3	45535039T		609-000150-0-001	04	00	001	01/88	01	00	58790.69	1100	01	104347.34	7225.67	13043.50	07	
4	45535039T		609-000153-0-001	02	00	001	01/88	01	00	599.37	40	00	8818.13	74.90	1102.28	07	0
5	45535039T		609-000153-0-001	04	00	001	01/88	01	00	32241.53	1100	01	61686.75	4030.04	7710.87	07	
6	45535039T		609-000153-0-001	04	00	002	01/88	01	00	29012.86	1100	01	55490.85	3566.92	6675.24	07	
7	45535039T		609-000153-0-001	04	00	003	01/88	01	00	3436.98	1100	01	6756.99	429.58	842.11	07	
8	45535043T		609-000417-0-001	01	00	001	01/88	~~01~~ 20	00	.		00	.	.	.	07	0
9	45535039T		609-000418-0-001	02	00	001	01/88	~~01~~ 20	00	.		00	.	.	.	07	0
10	45535039T		609-000418-0-001	04	00	001	01/88	01	00	5051.17	1100	01	10040.05	631.36	1255.00	07	
11										.			.	.	.		
12										.			.	.	.		
13										.			.	.	.		

REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	CHECKS TO MMS	(01)	.
23	PAYMENTS TO OTHERS	(02)	.
24	EFT TO MMS	(03)	.
25	ROYALTY-IN-KIND	(04)	.
26	CHECKS TO MMS FOR BIA	(05)	.
27	EFT TO BIA	(06)	.
28	PAYMENTS TO LOCKBOXES	(07)	.
29	TOTAL OF ITEMS 22 - 28		.

OMB 1010-0022
(Exp. March 31, 1988)
The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

WARNING: PUBLIC LAW 97-451 PROVIDES CIVIL AND CRIMINAL PENALTIES FOR FALSE OR INACCURATE REPORTING. Failure to report as required under the terms of the lease, permit, or contract may result in suspension or operations of other enforcement actions. I have read and examined the statements in this report and agree they are accurate and complete.

20. PAGE TOTAL 37527.75
21. REPORT TOTAL 73335.39

30. _____
Name (typed or printed) and authorized signature Date

31. _____
Name of Preparer Telephone

REPORT ID: ARR660R
RUN DATE: 01/24/88
RUN TIME: 22:17:41

REPORT MO/YR 2/88
1. PAYOR'S NAME; UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR

Minerals Management Service — Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
MODEL MMS-2014

3. FEDERAL | | OR INDIAN |X|

3a. PAYOR ASSIGNED DOCUMENT NUMBER IND-0288

REPORT PAGE: 0012072
PAYOR PAGE: 0000008

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH
1	45535039T	JKARILLA's	609-000418-0-001	04	00	002	01/88	20 01	00	.			.	.	.	07
2	45535039T		609-000418-0-002	04	00	001	01/88	20 01	00	.			.	.	.	07
3	45535039T		609-000418-0-003	04	00	001	01/88	01	00	857 .51	1100	01	1735 .69	107 .17	216 .96	07
4										.			.	.	.	
5										.			.	.	.	
6										.			.	.	.	
7										.			.	.	.	
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12										.			.	.	.	
13										.			.	.	.	

REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	CHECKS TO MMS	(01)	.
23	PAYMENTS TO OTHERS	(02)	.
24	EFT TO MMS	(03)	.
25	ROYALTY-IN-KIND	(04)	.
26	CHECKS TO MMS FOR BIA	(06)	.
27	EFT TO BIA	(08)	.
28	PAYMENTS TO LOCKBOXES	(07)	.
29	TOTAL OF ITEMS 22 - 28		.

OMB 1010-0022
(Exp. March 31, 1989)
The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

WARNING: PUBLIC LAW 97-451 PROVIDES CIVIL AND CRIMINAL PENALTIES FOR FALSE OR INACCURATE REPORTING. Failure to report as required under the terms of the lease, permit, or contract may result in suspension or operations of other enforcement actions. I have read and examined the statements in this report and agree they are accurate and complete.

20. PAGE TOTAL 216 .96
21. REPORT TOTAL 73335 39

30. _____
Name (typed or printed) and authorized signature — Date

31. _____
Name of Preparer — Telephone

Form MMS-2014 Revised 12/82
Previous editions are obsolete and may not be used

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
Exp. March 31, 1988

Page 17 of 22

For MMS Use Only

REPORT MO./YR. (12 2 86)
1 PAYOR'S NAME UNICOM PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77262
2 PAYOR CODE (7 3 7 2 5)

3 FEDERAL [ ] OR INDIAN [X]

3a PAYOR-ASSIGNED DOCUMENT NUMBER TXID-0298

4	5 RESERVED FOR PRODUCER'S USE	6 ACCOUNTING IDENTIFICATION (LEASE NUMBER)	7 PRODUCT CODE	8	9	10 SALES MONTH/YEAR	11	12	13 SALES QUANTITY	14	15	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19
1	JICARILLA 3														
2		609 000153 0 001	09		02	4/86	01	02	-34479 46	1100	01	-115879 64	-41309 91	-18475 39	07
3		609 000153 0 001	09		02	5/86	01	02	39207 87	1100	01	121421 03	4338 40	1578 06	07
4															
5															
6		609 000103 0 001	04		001	9/87	01	02	-20613 67	1100	01	-41537 12	-2576 96	-5192 15	07
7		609 000103 0 001	04		001	9/87	01	02	20720 77	1100	01	41709 51	2589 84	5213 99	07
8															
9															
10															
11															
12															
13															

REPORT CONTROL BLOCK

	Payment (Method Code)	Amount
22	Checks to MMS	(01)
23	Payments to Others	(02)
24	EFT to MMS	(03)
25	Royalty In Kind	(04)
26	Checks to MMS for Ohio	(05)
27	EFT to Ohio	(06)
28	Payments to Lessees	(07)
29	TOTAL OF ITEMS 22-28	

20 PAGE TOTAL 714 51

21 REPORT TOTAL 75 336 39

WARNING: PUBLIC LAW 97-451 PROHIBITS OFFER AND CONSIDERATION, FOR EXCHANGE OR PROMISSORY REPRESENTATION, a person to report or report under the terms of the lease, permit, or contract may result in suspension of operations or other enforcement actions.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on behalf of and gas from leases on Federal and Indian lands. MMS will use this information to monitor and audit lease accounts.

I have read and examined the statements in this report and agree they are accurate and complete.

30 Name (type or printed) and authorized signature — Date

31 ERIC F. WERT (713) 960-2619
Name of preparer — Telephone

Form OMB 3014 Revised 12/82
Previous editions are obsolete and may not be used.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
(Exp. March 31, 1988)

Page 18 of 22

REPORT MO./YR. 02 88
1 PAYOR'S NAME UNICON PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77252
2 PAYOR CODE 2, 3, 7, 8, 6

3 FEDERAL ☐ OR INDIAN ☒

3a PAYOR-ASSIGNED DOCUMENT NUMBER IND-0288

4	5 RESERVED FOR PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PRODUCT CODE	8 REG. PROD. CODE	9 RELEASE CODE	10 SALES MONTH/YEAR	11 TRANS. CODE	12 REV. REAS. CODE	13 SALES QUANTITY	14 QUALITY REQUIREMENT	15 CALC. METH.	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PAYMENT METHOD CODE
1	Jkarilla											?			
2		609 000150 0 001	04		001	11/87	01	02	-106516 38	1100	01	-212716 18	-13311 48	-26589 59	07
3		609 000150 0 001	04		001	11/87	01	02	134308 23	1100	01	267364 81	15536 73	33420 67	07
4		609 000107 0 001	04		001	11/87	01	02	-19721 20	1100	01	-40290 59	-2465 11	-5036 33	07
5		609 000107 0 001	04		001	11/87	01	02	19747 72	1100	01	40336 69	2468 41	5042 11	07
6		609 000153 0 001	04		002	11/87	01	02	-31857 22	1100	01	-66187 16	-3968 44	-8273 46	07
7		609 000153 0 001	04		002	11/87	01	02	42591 98	1100	01	87334 68	5310 26	10916 90	07
8															
9															
10															
11															
12															
13															

REPORT CONTROL BLOCK

	Payment (Method Code)		Amount
22	Checks to MMS	(01)	
23	Payments to Others	(02)	
24	EFT to MMS	(03)	
25	Royalty-in-Kind	(04)	
26	Checks to MMS for BIA	(05)	
27	EFT to BIA	(06)	
28	Payments to Lockboxes	(07)	
29	TOTAL OF ITEMS 22-28		

WARNING: PUBLIC LAW 97-451 PROVIDES CIVIL AND CRIMINAL PENALTIES FOR FALSE OR INACCURATE REPORTING. Failure to report as required under the terms of the lease, permit, or contract may result in suspension of operations or other enforcement actions.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to monitor and audit lease accounts.

20 PAGE TOTAL 9480 30

21 REPORT TOTAL 73335 39

I have read and examined the statements in this report and agree they are accurate and complete.

30 Name (typed or printed) and authorized signature — Date

31 ERIC F. WORT (713) 968-2619
Name of preparer — Telephone

Form MMS-2014 Revised 12/82
Previous editions are obsolete and may not be used.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
(Exp. March 31, 1988)

Page 19 of 22

For MMS Use Only

REPORT MO./YR. 02 88

1 PAYOR'S NAME UNICON PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77252
2 PAYOR CODE 7 3 7 2 5

3 FEDERAL ☐ OR INDIAN ☒

3a PAYOR-ASSIGNED DOCUMENT NUMBER IND-0288

4	5 RESERVED FOR PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PRODUCT CODE	8 REG. PROCS. CODE	9 SELLING AGR. CODE	10 SALES MONTH/YEAR	11 TRANS. CODE	12 ADJ. REAS. CODE	13 SALES QUANTITY	14 QUALITY DEVELOPMENT	15 CALC. METH.	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 FORMULA METHOD CODE
1	JICARILLA														
2		609 000010 0 004	04		002	12/87	01		652 82	1100	01	1199 58	81 59	149 94	07
3		609 000417 0 001	04		002	12/87	01		3772 00	1100	01	8008 57	471 24	1001 07	07
4		609 000047 0 002	04		001	12/87	01		5 10	1100	01	8 82	63	1 10	07
5		609 000103 0 001	04		001	12/87	01	02	-22890 16	1100	01	-41883 35	-2860 94	-5235 45	07
6		609 000103 0 001	04		001	12/87	01	02	27496 06	1100	01	50467 31	3428 64	6308 46	07
7		609 000107 0 001	04		001	12/87	01	02	-19721 20	1100	01	-37478 75	-2465 11	-4684 85	07
8		609 000107 0 001	04		001	12/87	01	02	19962 15	1100	01	36448 93	2465 58	4556 14	07
9		609 000150 0 001	04		001	12/87	01	02	-106516 38	1100	01	-190221 54	-13311 48	-23777 76	07
10		609 000150 0 001	04		001	12/87	01	02	107665 44	1100	01	192441 15	13455 11	24055 21	07
11															
12															
13															

REPORT CONTROL BLOCK

	Payment (Method Code)		Total
22	Checks to MMS	(01)	
23	Payments to Others	(02)	
24	EFT to MMS	(03)	
25	Royalty-In-Kind	(04)	
26	Checks to MMS for BIA	(05)	
27	EFT to BIA	(06)	
28	Payments to Lochbaum	(07)	
29	TOTAL OF ITEMS 22-28		

WARNING: PUBLIC LAW 97-451 PURSUES CIVIL AND CRIMINAL PENALTIES FOR FALSE OR INACCURATE REPORTING. Failure to report as required under the terms of the lease, permit, or contract may result in suspension of operations or other enforcement actions.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to monitor and audit lease account.

20 PAGE TOTAL 2373 86

21 REPORT TOTAL 73335 39

I have read and examined the statements in this report and agree they are accurate and complete.

30 Name (typed or printed) and authorized signature — Date

31 ERIC F. WORT — Name of preparer — (713) 968-2619 Telephone

Form MMS-2014 Revised 12/82
Previous editions are obsolete and may not be used.

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
Exp. March 31, 1985

For MMS Use Only

REPORT MO./YR. 02 86
1 PAYOR'S NAME UNICON PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77252
2 PAYOR CODE 7 3 7 2 5

3 FEDERAL ☐ OR INDIAN ☒

3a PAYOR-ASSIGNED DOCUMENT NUMBER IND-0288

4	5 RESERVED FOR PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PRODUCT CODE	8 REG. PRICE CODE	9 SELLING ARR. CODE	10 SALES MONTH/YEAR	11 TRANS. CODE	12 ADJ. REAS. CODE	13 SALES QUANTITY	14 QUALITY GRAVITY/BTU	15 CALC. METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PAYMENT METHOD CODE
1	TICARILLA 13														
2		609 000153 0 001	04		001	12/87	01	02	/ -21495 50	1100	01	-39803 88	/ -2656 79	/ -4975 51	07
3		609 000153 0 001	04		001	12/87	01	02	/ 30899 13	1100	01	57826 27	/ 3832 19	/ 7234 57	07
4		609 000153 0 001	04		002	12/87	01	02	/ -31857 22	1100	01	-57986 04	/ -3968 44	/ -7248 32	07
5		609 000153 0 001	04		002	12/87	01	02	/ 33166 93	1100	01	60471 37	/ 4132 15	/ 7558 98	07
6		609 000153 0 001	04		003	12/87	01	02	/ -2709 19	1100	01	-5283 70	/ -338 60	/ -660 46	07
7		609 000153 0 001	04		003	12/87	01	02	/ 3049 83	1100	01	5945 67	/ 381 20	/ 743 21	07
8															
9															
10															
11															
12															
13															

20 PAGE TOTAL 2652 47
21 REPORT TOTAL 73335 39

REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	Checks to MMS	(01)	
23	Payments to Others	(02)	
24	EFT to MMS	(03)	
25	Royalty-In-Kind	(04)	
26	Checks to MMS for BIA	(05)	
27	EFT to BIA	(06)	
28	Payments to Lockboxes	(07)	
29	TOTAL OF ITEMS 22-28		

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30 I have read and examined the statements on this report and agree they are accurate and complete

Name (typed or printed) and authorized signature — Date

31 ERIC F. WORT — (713) 968-2619
Name of preparer — Telephone

UNICON PRODUCING COMPANY
P.O. BOX 2120
HOUSTON, TEXAS 77252-2120

No. 19806

DATE		
04	29	88

PAY NINETY ONE THOUSAND EIGHT HUNDRED SEVENTY THREE DOLLARS AND 77/100

DOLLARS | CTS
$91,873.77

Republic Bank Richmond Richmond, Texas

Pay To The Order of
JICARILLA APACHE TRIBE
P. O. BOX 2053
ALBUQUERQUE, NM 87103

UNICON PRODUCING COMPANY
ROYALTY ACCOUNT

MAY 0 9 FAX

TWO SIGNATURES REQUIRED FOR MORE THAN $50,000.00

⑈019806⑈ ⑆113115523⑆ 89 0079 5⑈

UTP 2306-A

UNICON PRODUCING COMPANY
P.O. BOX 2120 HOUSTON, TEXAS 77252-2120

19806

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES – DUPLICATE WILL NOT BE FURNISHED. (–) DENOTES DEDUCTION

MO.	YR.	PROPERTY NO.	PC	IC	MCF OR BBL	GROSS VALUE	TAX	T/D	YOUR INTEREST	INTEREST VALUE
					JICARILLA APACHE TRIBE				$91,873.77	
					PAYOR CODE: 73725					

PC PRODUCT CODES 1-GAS 2-CONDENSATE 3-OIL 4-CASINGHEAD

IC-INTEREST CODES 1-WORKING 2-OVERRIDE 3-ROYALTY 4-OTHER

T/D-TAX/DEDUCT T-TAX D-DEDUCTION

S-STATE INCOME TAX E-EXCESS ROYALTY W-WINDFALL TAX

DETACH BEFORE DEPOSITING

March 1988 Oil and Gas Royalties from Unicon Producing Company:

# 001-045-3502-000	$ 69,068.94
# 001-045-3503-000	7,342.50
# 001-045-3521-000	15,462.33
	$ 91,873.77

DU

FINES:	$	0.00
INTEREST:	$	0.00
PENALTIES	$	0.00
TOTAL ASSESSMENTS:	$	0.00
NET AMOUNT:	$	0.00

PAYOR: 73725 UNICON PRODUCING CO.

DOC ID: ROYL 00253897

609-000010-0	02	12/87	262.27	$	13.88	.1250	$	455.03	$	0.00	$	0.00	$ 455.03
		01/88	30.59	$	15.50	.1250	$	59.27	$	0.00	$	0.00	$ 59.27
		02/88	157.85	$	15.89	.1250	$	373.12	$	0.00	$	0.00	$ 373.12
		03/88	625.54	$	14.10	.1250	$	1,102.88	$	0.00	$	0.00	$ 1,102.88
	04	01/87	1,084.29	$	1.62	.1250	$	220.22	$	0.00	$	0.00	$ 220.22
		02/87	10.20-	$	7.67-	.1250	$	9.78	$	0.00	$	0.00	$ 9.78
		04/87	13,737.70	$	3.34	.1250	$	5,754.48	$	0.00	$	0.00	$ 5,754.48
		05/87	11,180.52	$	3.34	.1250	$	4,666.34	$	0.00	$	0.00	$ 4,666.34
		06/87	11,528.35	$	3.34	.1250	$	4,811.51	$	0.00	$	0.00	$ 4,811.51
		07/87	4,050.53	$	3.34	.1250	$	1,690.54	$	0.00	$	0.00	$ 1,690.54

RUN SORT: AIN210R BIAJL 455
REPORT ID: AIN210R
RUN DATE: 05/19/88
RUN TIME: 04:33:55

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-JICARILLA APACHE TRIBE
FOR 04/26/88 THRU 05/18/88

REPORT PAGE: 0000692
REPORT PAGE: 000692

1,001.07 -
2,003.49 +
002
1,003.42 =

DISTRIBUTEE: 7455 JICARILLA-APACHE TRIBE

PAYOR: 73725 UNICON PRODUCING CO.

DOC ID: ROYL 00253897

LEASE NUM	PR CD	SALES MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
		08/87	8,050.05	$ 3.34	.1250	$ 3,359.80	$ 0.00	$ 0.00	$ 3,359.80	
		09/87	8,335.66	$ 3.34	.1250	$ 3,479.00	$ 0.00	$ 0.00	$ 3,479.00	
		10/87	7,536.98	$ 3.34	.1250	$ 3,149.49	$ 0.00	$ 0.00	$ 3,149.49	
		11/87	7,618.58	$ 3.34	.1250	$ 3,179.72	$ 0.00	$ 0.00	$ 3,179.72	
	*	12/87	2,404.20	$ 3.34	.1250	$ 1,003.42	$ 0.00	$ 0.00	$ 1,003.42	
		01/88	12,560.61	$ 2.30	.1250	$ 3,617.43	$ 0.00	$ 0.00	$ 3,617.43	
		02/88	12,766.66	$ 1.55	.1250	$ 2,476.71	$ 0.00	$ 0.00	$ 2,476.71	
		03/88	11,007.11	$ 1.89	.1250	$ 2,593.98	$ 0.00	$ 0.00	$ 2,593.98	$ 42,002.72
609-000247-0	04	03/88	0.00	$ 0.00	.0000	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
609-000103-0	02	01/88	124.31	$ 15.03	.1250	$ 233.62	$ 0.00	[illegible]		

REPORT ID: ARR660R
RUN DATE: 03/19/88
RUN TIME: 13:00:15

REPORT MO/YR 4/88
1. PAYOR'S NAME: UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service – Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
MODEL MMS-2014

3. FEDERAL | | OR INDIAN | X |

3a. PAYOR ASSIGNED DOCUMENT NUMBER Indv 0488

REPORT PAGE: 0010789
PAYOR PAGE: 0000006

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH
1	455350397	IKABILLA	609-000010-0-002	02	00	001	03/88	01	00	191.04	40	00	2711.17	23.87	338.90	07
2	455350397		609-000010-0-002	04	00	001	03/88	01	00	.			.	.	.	07
3	455350397		609-000010-0-003	04	00	001	03/88	01	00	493.69	1100	01	1049.26	61.70	131.15	07
4	455350397		609-000010-0-004	02	00	001	03/88	01	00	434.50	40	00	6111.99	54.30	768.49	07
5	455350397		609-000010-0-004	04	00	001	03/88	01	00	10503.22	1100	01	19681.51	1312.35	2460.24	07
6	455350397		609-000010-0-004	04	00	002	03/88	01	00	10.20	1100	01	20.70	1.27	2.54	07
7	455350397		609-000047-0-002	04	00	001	03/88	01	00	.			.	.	.	07
8	455350397		609-000103-0-001	02	00	001	03/88	01	00	1615.51	40	00	8350.10	76.92	1043.79	07
9	455350397		609-000103-0-001	04	00	001	03/88	01	00	15438.92	1100	01	28216.93	1928.12	3527.15	07
10	455350397		609-000107-0-001	02	00	001	03/88	01	00	428.90	40	00	5643.49	53.61	705.44	07
11										.			.	.	.	
12										.			.	.	.	
13										.			.	.	.	

REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	CHECKS TO MMS	(01)	.
23	PAYMENTS TO OTHERS	(02)	.
24	EFT TO MMS	(03)	.
25	ROYALTY-IN-KIND	(04)	.
26	CHECKS TO MMS FOR BIA	(05)	.
27	EFT TO BIA	(06)	.
28	PAYMENTS TO LOCKBOXES	(07)	.
29	TOTAL OF ITEMS 22 - 28		.

OMB 1010-0022
(Exp. March 31, 1988)
The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to document details of royalty payments on sales of oil and gas from leases on Federal and Indian lands. MMS will use this information to maintain and audit lease accounts.

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20. PAGE TOTAL 8973.23

21. REPORT TOTAL 144,204.61

30. _____
Name (typed or printed) and authorized signature Date

31. _____
Name of Preparer Telephone

PROPRIETARY-FOR GOVERNMENT USE ONLY

REPORT ID: ARR660R
RUN DATE: 03/19/88
RUN TIME: 13:00:15

REPORT MO/YR 4/88
1. PAYOR'S NAME: UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service – Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
MODEL MMS-2014

3. FEDERAL | | OR INDIAN | X |

3a. PAYOR ASSIGNED DOCUMENT NUMBER IND-0418

REPORT PAGE: 0010790
PAYOR PAGE: 0000007

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH
1	45535039T	Tiscarra	609-000107-0-001	04	00	001	03/88	01	00	19181.61	1100	01	35765.37	2397.66	4470.64	07
2	45535039T		609-000150-0-001	02	00	001	03/88	01	00	221.90	40	00	2821.60	27.73	352.70	07
3	45535039T		609-000150-0-001	04	00	001	03/88	01	00	90073.48	1100	01	110513.94	11259.00	20064.31	07
4	45535039T		609-000153-0-001	02	00	001	03/88	01	00	964.33	40	00	13649.44	120.53	1731.14	07
5	45535039T		609-000153-0-001	04	00	001	03/88	01	00	14306.80	1100	01	27473.29	1766.93	3434.17	07
6	45535039T		609-000153-0-001	04	00	002	03/88	01	00	33847.44	1100	01	62949.48	4205.35	7868.76	07
7	45535039T		609-000153-0-001	04	00	003	03/88	01	00	826.73	1100	01	1677.53	103.32	209.68	07
8	45535043T		609-000417-0-001	01	00	001	03/88	~~01~~ 20	00	.		00	.	.	.	07
9	45535039T		609-000418-0-001	02	00	001	03/88	~~01~~ 20	00	.		00	.	.	.	07
10	45535039T		609-000418-0-001	04	00	001	03/88	01	00	4484.04	1100	01	8924.07	560.48	1115.50	07
11										.			.	.	.	
12										.			.	.	.	
13										.			.	.	.	

REPORT CONTROL BLOCK

	Payment (Method Code)	Amount
22	CHECKS TO MMS (01)	.
23	PAYMENTS TO OTHERS (02)	.
24	EFT TO MMS (03)	.
25	ROYALTY-IN-KIND (04)	.
26	CHECKS TO MMS FOR BIA (05)	.
27	EFT TO BIA (06)	.
28	PAYMENTS TO LOCKBOXES (07)	.
29	TOTAL OF ITEMS 22 - 28	.

OMB 1010-0022
(Exp. March 31, 1988)
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20. PAGE TOTAL 39246.94
21. REPORT TOTAL 144,204.61

30. _____ Name (typed or printed) and authorized signature _____ Date

31. _____ Name of Preparer _____ Telephone

PROPRIETARY-FOR GOVERNMENT USE ONLY

REPORT ID: AR8660R
RUN DATE: 03/19/88
RUN TIME: 13:00:15

REPORT MO/YR 4/88
1. PAYOR'S NAME: UNICON PRODUCING CO.
2. PAYOR CODE: 73725

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service — Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
MODEL MMS-2014

3. FEDERAL | | OR INDIAN |X|

3a. PAYOR ASSIGNED DOCUMENT NUMBER IND-0488

REPORT PAGE: 0010791
PAYOR PAGE: 0000008

4	MMS USE	5 RESERVED PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PROD CODE	8 RP CD	9 SEL ARR	10 SALES MO/YR	11 TRAN CODE	12 AR CD	13 SALES QUANTITY	14 QUAL MEAS	15 CALC METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PMT MTH
1	455350397	TICARILLA	609-000418-0-001	04	00	002	03/88	02	00	.			.	.	.	07
2	455350397		609-000418-0-002	04	00	001	03/88	20 01	00	.			.	.	.	07
3	455350397		609-000418-0-003	04	00	001	03/88	01	00	658.75	1100	01	1399.01	82.26	174.86	07
4										.			.	.	.	
5										.			.	.	.	
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REPORT CONTROL BLOCK

	Payment	(Method Code)	Amount
22	CHECKS TO MMS	(01)	.
23	PAYMENTS TO OTHERS	(02)	.
24	EFT TO MMS	(03)	.
25	ROYALTY-IN-KIND	(04)	.
26	CHECKS TO MMS FOR BIA	(05)	.
27	EFT TO BIA	(06)	.
28	PAYMENTS TO LOCKBOXES	(07)	.
29	TOTAL OF ITEMS 22 - 28		.

OMB 1010-0022
(Exp. March 31, 1988)
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20. PAGE TOTAL 174.86
21. REPORT TOTAL 144,204.61

30. _____
Name (typed or printed) and authorized signature — Date

31. _____
Name of Preparer — Telephone

PROPRIETARY-FOR GOVERNMENT USE ONLY

Form MMS-2014 Revised 12/82
Previous editions are obsolete and may not be used

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
(Exp. March 31, 1988)

Page 21 of 28

REPORT MO./YR. 04 88

1 PAYOR'S NAME UNICON PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77252
2 PAYOR CODE 7 3 7 2 5

3 FEDERAL ☐ OR INDIAN ☒

3a PAYOR-ASSIGNED DOCUMENT NUMBER IND-0[illegible]

4	5 RESERVED FOR PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PRODUCT CODE	8 REG. PRICE CODE	9 SELLING ARR. CODE	10 SALES MONTH/YEAR	11 TRANS CODE	12 ADJ. REAS. CODE	13 SALES QUANTITY	14 QUALITY MEASUREMENT	15 CALC. METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PAYMENT METHOD
1	Jicarilla														
2		609 000 010 0 004	04		001	1/87	01	10	/ -14484 58	1100	01	-30857 13	/ -1810 50	X -3857 17	07
3	1080103	609 000 010 0 004	04		001	1/87	01	10	/ 15568 67	1100	01	32618 89	/ 1946 03	X 4077 39	07
4		609 000 010 0 004	04		001	2/87	01	10	/ -10936 73	1100	01	-22779 86	/ -1367 05	X -2847 51	07
5		609 000 010 0 004	04		001	2/87	01	10	/ 10926 53	1100	01	22858 09	/ 1365 78	X 2857 29	07
6															
7	2520105	609 000 010 0 004	04		002	4/87	01		/ 13787 70	1100	01	46035 85	/ 1723 45	X 5754 48	07
8		609 000 010 0 004	04		002	5/87	01		/ 11180 52	1100	01	37330 70	/ 1397 55	X 4666 34	07
9		609 000 010 0 004	04		002	6/87	01	10	/ -34 68	1100	01	-67 89	/ -4 25	X -8 48	07
10		609 000 010 0 004	04		002	6/87	01	10	/ 11563 03	1100	01	38559 95	/ 1445 29	X 4819 99	07
11		609 000 010 0 004	04		002	7/87	01		/ 4050 53	1100	01	13524 33	/ 506 31	X 1690 54	07
12		609 000 010 0 004	04		002	8/87	01		/ 8050 05	1100	01	26878 37	/ 1006 25	X 3359 80	07
13		609 000 010 0 004	04		002	9/87	01		/ 8335 66	1100	01	27831 99	/ 1041 75	X 3479 00	07

REPORT CONTROL BLOCK

	Payment (Method Code)	Amount
22	Checks to MMS (01)	
23	Payments to Others (02)	
24	EFT to MMS (03)	
25	Royalty In-Kind (04)	
26	Checks to MMS for BIA (05)	
27	EFT to BIA (06)	
28	Payments to Lockboxes (07)	
29	TOTAL OF ITEMS 22-28	

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20 PAGE TOTAL 23991 67

21 REPORT TOTAL 144204 61

30 I have read and examined the statements in this report and agree they are accurate and complete
Name (typed or printed) and authorized signature — Date

31 ERIC F. WORT — (713) 968-2619
Name of preparer — Telephone

Form 4025-2014 Revised 12/87
Previous editions are obsolete and may not be used

U.S. DEPARTMENT OF THE INTERIOR
Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0022
Exp March 31, 1988

For MMS Use Only

REPORT NO./YR. 04 Q.R.
1 PAYOR'S NAME UNICON PRODUCING COMPANY
ADDRESS P. O. BOX 2120
CITY/STATE HOUSTON, TEXAS ZIP 77252
2 PAYOR CODE 7 3 7 2 5

3 FEDERAL [ ] OR INDIAN [X]

3a PAYOR-ASSIGNED DOCUMENT NUMBER IND-0444

4	5 RESERVED FOR PREPARER'S USE	6 ACCOUNTING IDENTIFICATION (AID) NUMBER	7 PRODUCT CODE	8 REG. PRICE CODE	9 SELLING AGR CODE	10 SALES MONTH/YEAR	11 TRANS CODE	12 ADJ. REASON CODE	13 SALES QUANTITY	14 QUALITY MEASUREMENT	15 CALC. METH	16 SALES VALUE	17 ROYALTY QUANTITY	18 ROYALTY VALUE	19 PAYMENT METHOD CODE
1	Jicarilla														
2		609 000010 0 004 004			02	10/87	01		7536 93	1100	01	25,195 92	942 11	3149 49	07
3															
4	12431-39	609 000153 0 001 002			01	10/87	01	10	-716 39	40	01	-12106 76	-89 55	-1513 34	07
5		609 000153 0 001 002			01	11/87	01	10	810 44	40	01	15660 39	101 50	1702 57	07
6															
7															
8		609 000419 0 001 004			001	11/87	01	02	-4713 52	1100	01	-10773 73	-589 03	-1405 31	07
9		609 000419 0 001 004			001	11/87	01	02	5891 67	1100	01	12040 77	736 41	1563 46	07
10															
11	2326105	609 000410 0 004 004			002	11/87	01	02	-7330 24	1100	01	-15417 09	-960 85	-1927 14	07
12		609 000410 0 004 004			002	11/87	01	02	15168 87	1100	01	40854 87	1913 16	5106 86	07
13															

REPORT CONTROL BLOCK		
Payment	(Method Code)	Amount
22 Checks to MMS	(01)	
23 Payments to Others	(02)	
24 EFT to MMS	(03)	
25 Royalty In Kind	(04)	
26 Checks to MMS for BIA	(05)	
27 EFT to BIA	(06)	
28 Payments to Lockboxes	(07)	
29 TOTAL OF ITEMS 22-28		

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20 PAGE TOTAL 6691 79
21 REPORT TOTAL 144204 61

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Minerals Management Service—Royalty Management Program
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS

OMB 1010-0077
Exp. March 31, 1990

Page 23 of 28

REPORT MO./YR. 04, 88
1 PAYOR'S NAME UNICON PRODUCING COMPANY
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1	Gicacilla														
2		609 000418 0 001	04		001	12/87	01	02	-13201 01	1100	01	-27237 82	-1650 08	-3454 14	07
3		609 000418 0 001	04		001	12/87	01	02	14516 16	1100	01	29612 91	1814 46	3751 03	07
4	*	609 000010 0 004	04		002	12/87	01	02	-3772 00	1100	01	-8008 57	-471 24	-1001 07	07
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REPORT CONTROL BLOCK

	Payment (Method Code)	Amount
22	Checks to MMS (01)	
23	Payments to Others (02)	
24	EFT to MMS (03)	
25	Royalty to Fund (04)	
26	Checks to MMS for BIA (05)	
27	EFT to BIA (06)	
28	Payments to Lockboxes (07)	
29	TOTAL OF ITEMS 22-28	

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20 PAGE TOTAL 2119 27

21 REPORT TOTAL 144204 61

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Page 24 of 28

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3		609 000010 0 004	04		001	1/88	01	02	22518 07	1100	01	35349 36	2800 68	4418 70	07
4	2520105	609 000010 0 004	04		002	1/88	01	02	-6870 90	1100	01	-13783 72	-858 86	-1722 97	07
5		609 000010 0 004	04		002	1/88	01	02	13725 48	1100	01	36670 52	1572 10	4583 82	07
6		609 000010 0 004	02		001	1/88	01	02	-796 09	40	00	-12077 60	-99 49	-1509 70	07
7		609 000010 0 004	02		001	1/88	01	02	826 68	40	00	12551 82	103 26	1568 97	07
8		609 000103 0 001	002		001	1/88	01		124 31	40	00	1869 00	15 53	233 62	07
9		609 000107 0 001	02		001	1/88	01	10	-196 89	40	00	-2992 73	-24 61	-374 09	07
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11		609 000153 0 001	02		001	1/88	01	10	-599 37	40	00	-8818 13	-74 90	-1102 28	07
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Page 25 of 28

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25 Royalty in Kind	(04)	
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27 EFT to BIA	(06)	
28 Payments to Lockboxes	(07)	
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20 PAGE TOTAL 3609 45
21 REPORT TOTAL 14904 61

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Page 26 of 28

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4															
5		609 000 000 0 004	02		001	7/88	01	10	-197 39	40	01	-3053 60	-29 67	-381 70	07
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Senator MELCHER. Thank you.
Mr. Chavez, please proceed.

STATEMENT OF ERVIN CHAVEZ, PRESIDENT, SHII SHI KEYAH ASSOCIATION

Mr. CHAVEZ. Okay. Thank you, Mr. Chairman and members of the Committee.

Again, for the record my name is Ervin Chavez, and at present I am serving as President of the Shii Shi Keyah Association.

You have before you my written statement and for the sake of time do you want to just allude to highlights of a few things here in the report?

Senator MELCHER. Certainly.

Mr. CHAVEZ. If you would turn to page 2 under paragraph number 2, I talk about there the agency staff, which Mr. Taradash has alluded to before. I imagine you get a lot of reports here from the agency level, from the area level, saying that everything is operating just fine, it is okay, we are doing the job, which in reality if you visit with the agency office this is not true.

The treatment of my people at the agency office is not very welcome. Some of them really get scolded just simply for asking questions about their account, and a lot of them just get one simple answer like "Aden" in Navaho, which in English means "nothing." And that is about basically the answer they get.

I witnessed an incident a few months ago whereby a supervisor was turning away people from the window, which people were asking for their account. She did not know how to operate the computer. And in that very same office sat another person who knew how to operate the computer, but she was told to lay off of the computer because she did not have the seniority over that person that did not know how to operate it.

So she was just turning away people, saying that the computer was broke down. And this is to me—I witnessed this myself, and it is a very sad situation when that happens.

And I think what mainly Al was alluding to there was, maybe this person did not have the education or maybe she did go to the training, but she did not know how to operate the computer.

Also, Mr. Thurman stated, commented about the staff systems. As of a couple of weeks ago, I have an uncle that went to one of the agency offices that asked information off of this system and he was told that the computers were down and that they could not provide him with any kind of a telephone number or anything to get access to this system here.

So I think not enough can be said about the situation at the agency level, and I think this is something that we need for somebody to investigate and so that more proficiency can be demonstrated at the agency level.

Also, in paragraph 5 under the—I think in the middle of the paragraph, I state that—it says, in fact, however, most allottees are precluded from obtaining welfare assistance or food stamps because of the misunderstanding of levels of their income and assets by welfare offices.

The recent change of the MMS where it states that no sales, no reporting—we need something sent to the allottees that says that you will not have anything coming this month, because a lot of them, like Al says, they do not have income other than the royalty checks. So whenever they cannot get anything for the month—and up to I think the last few days we had an incident in Farmington, where one person had their vehicles repossessed because of this.

And I know there are some elderly. It is a real sad sight to look into the eyes of the older people whenever they cannot get any kind of assistance from the social services or get their social security checks reduced simply because they are told that, you are on the MMS rolls and that you already have some money in your account, which in reality there is not.

So this is one thing that we really need some help with, and this is the only thing that I really want to kind of hammer on, allude to, these two things. And I would leave the rest of the time for questions if the Committee members do have some, Mr. Chairman.

[The prepared statement of Mr. Chavez follows:]

TESTIMONY OF ERVIN CHAVEZ

President
Shii Shi Keyah Association

Before the Subcommittee on Mineral Resources Development and Production of the Energy and Natural Resources Committee
United States Senate
Tuesday, July 12, 1988

Mr. Chairman, committee members, I would like to introduce myself and the organization I represent before proceeding with comments on issues relating to oil and gas royalty collection, disbursement, fiscal accounting, auditing, and site security as they affect Navajo allottees who have oil and gas leases on their land.

My name is Ervin Chavez and I have been elected as the President of the Board of Directors of the Shii Shi Keyah Association. The Shii Shi Keyah Association was formed by members of the Navajo Tribe who have ownership interests in allotted lands and who have oil and gas leases on those lands. The formation of the Association in 1984 was caused in large part by common concern of the affected Navajos due to the routine late payments of royalties owed to individuals from the production of oil and gas on their allotments. At that time, the Bureau of Indian Affairs in dispersing royalty funds through the Individual Indian Money Account System (IIM System) provided no written explanation whatsoever as to the origins of payments. These principal reasons were the impetus for the formation of the Shii Shi Keyah Association.

To understand the importance of timely payments and explanations of payments to the average Navajo recipient, it is important for you to understand the circumstances in which the typical Navajo allottee lives. Unlike many tribes, Navajos have an historical living pattern that results in people living far apart from one another, and not ordinarily in an urban setting. As a result of many factors, this dispersed living pattern remains to this day in many, many parts of the Navajo Reservation. The principal areas of the Navajo Reservation with oil and gas production lie in the northwestern-most corner of New Mexico and the southeastern-most corner of Utah. This area is commonly referred to as the San Juan Basin. There are very few paved roads connecting Navajo homes to urban centers and the distances that individuals must travel to obtain drinking water and wood for heat are considerable. Hence, because of the dirt roads, long distances and the need to haul wood and water, as well as livestock feed, the vast majority of Navajo allottees utilize and rely upon a pick-up truck for their very existence. The overwhelming majority of our members are very, very poor. A disproportionate amount of available monthly income goes to pay for a pick-up truck and the gas and oil to feed it. The disruption in anticipated monthly income obviously works a great hardship on our people. This hardship and suffering in conjunction with the all too frequent delay in receipt of royalty payments resulted in the formation of the Shii Shi Keyah Association. We now have approximately 400 members.

The Association filed a lawsuit against the Secretary of the Interior in 1984 entitled Shii Shi Keyah Association v. Hodel. That lawsuit is still pending in the United States District Court for the District of New Mexico. The focus of the lawsuit is to attempt to secure for Navajo allottees timely payment of oil and gas royalties, rentals, interest, and to require that the Secretary provide Navajo allottees with a meaningful explanation of the origins of the payment being made--all as required under the Federal Oil and Gas Royalty Management Act of 1982. We have prevailed in every ruling of the court. Furthermore, the District Court Judge in New Mexico has determined and certified the case as a proper class action. Hence, in the context of that litigation, we represent the interest of thousands of Navajo allottees and feel comfortable in speaking for them before this committee.

In preparing these remarks, we have culled through the files that we have of members and have abstracted the typical complaints that have been made with respect to the handling of the oil and gas leases on Navajo allotments.

While this list is not intended to be exhaustive of the nature of the problems, it is certainly typical of them.

(1) Late payments or payments which do not seem to be correct in the amount being paid are a routine source of complaint.

(2) Individuals simply cannot get understandable information from the Bureau of Indian Affairs when they telephone to an agency office or go in person to try to get information. Furthermore, many people comment that they are subjected to rude treatment by clerical persons who attempt to answer questions. A variation of this type of treatment occurs when individuals are told by one agency office of the Bureau of Indian Affairs to go to a different office or, in some instances, to call or go to the Minerals Management Service in Lakewood, Colorado. The distances between the typical agency offices that Navajo allottees will go to is more than a hundred miles from Shiprock to Gallup or sixty miles each from Crownpoint or Window Rock to Gallup. Sometimes, the clerical personnel, who are unable to answer questions regarding production or payment, simply tell individual allottees that their computer is broken or other excuses like that.

(3) There are a number of problems that are associated with the well site, such as misidentification of wells, drilling by companies who have not informed the owners of the allotment that drilling is about to be commenced, hauling of oil by persons unidentified to the Navajo allottee, and in some instances, in the past, the hauling of oil at night. As many individuals live on their allotments, very close by to the well head, these matters are of great concern to them. It is very common for individual Navajos to graze sheep, goats, and some cattle and horses on their allotments that also have producing wells on them. Therefore, it is critical that the site security issues be addressed. There have been problems pertaining to nauseous odors on a gas-producing wells that have made individual Navajos who live in close proximity physically ill most of the time, depending upon the direction of the wind. Due to the inadequate staffing of the BIA and the BLM, it has been impossible to get the federal government to address these problems. Yet the government is our trustee.

(4) People have not been provided with a clear explanation of the nature of the terms of leases and rights-of-way at the time that their signature is requested on appropriate documents. Often, agents for oil and gas producing companies are instructed by the Bureau of Indian Affairs to obtain signatures on leases or rights-of-way from individuals who have ownership interests in allotments that are of interest to a company. While the paperwork which many individuals have signed would appear to properly explain the terms and conditions, the simple fact is that the vast majority of Navajo allottees in this area are either illiterate or very marginally literate. For many, many Navajo people English is a second language, at best, and certainly there are very few individuals that are conversant with technical matters that may affect their decisions. The Bureau of Indian Affairs is simply not adequately staffed to provide the appropriate technical assistance so that Navajo allottees are giving informed conformed consent or refusal at the time they are asked.

(5) Oftentimes there is a misapplication of a payment and then subsequent recoupment which may occur a year or many months later. The level of recoupment is kept to 50% but there is no way for individual Navajo allottees who are subject to recoupment to check the accuracy of the representations made by the Bureau of Indian Affairs or the Minerals Management Service: nor to check the accuracy of the claimed overpayments. The obvious hardship that this causes on individuals who live at a subsistence level requires no further elaboration. The typical Navajo allottee that relies on oil and gas royalty payments for his or her subsistence is one who receives between $100 and $400 a month. Because of these modest royalty receipts and in contrast to the characterization of oil wealthy Indians as portrayed in President Reagan's unfortunate remarks recently in Moscow, the ability of even resourceful Navajos to survive on such limited income is a matter of admiration but more importantly should be a cause of national concern. The depths of poverty of the average Navajo allottee can only be imagined by those who live in more fortunate circumstances. The fact is, however, that most Navajo allottees are precluded from obtaining welfare assistance or food stamps because of a misunderstanding of the level of their income and assets by welfare offices. When these meager royalties are interrupted the hardship that is suffered is immense. We have members of our Association who have been unable to buy their children clothes to go to school in, who have had to cancel wedding plans for children because of the inability to pay medicine men when royalties which were anticipated were late, and we have had any number of individuals who have had to pawn what few valuables they might have to pay for pick-up truck payments, and regrettably, there are also those who have had their vehicles repossessed because they were unable to make their monthly vehicle payments due to the inexplicable cessation of royalties.

While the examples which I have given could be expanded upon, I think they serve to establish that the proper handling of oil and gas leasing matters by the federal government is of critical concern to Navajo allottees. It is the uniform conclusion of all who have been subjected to the handling of these oil and gas lease matters by the United States that there is room for vast improvement. We ask that this committee through its oversight responsibility take a hard look at not just the reports generated by the Minerals Management Service of the Bureau of Indian Affairs with respect to these matters, but conduct field hearings so that you may hear first hand of the experiences which I have alluded to in this

statement. I am of course pleased to respond to any questions that members of the committee might have at this time. Thank you very much for the opportunity to appear before you on behalf of the members of the Shii Shi Keyah Association, we are deeply greatful for the interest of the committee in the problems that we face. Thank you very much.

Senator MELCHER. Thank you, Mr. Chavez.

First of all, Mr. Velarde, the Jicarilla Apache have developed an agreement for production with an oil and gas company. One company or more than one company?

Mr. VELARDE. We have several joint ventures with different companies.

Senator MELCHER. And that is all under the Indian Mineral Development Act?

Mr. VELARDE. That is correct.

Senator MELCHER. Now, you testified that MMS says they have no responsibilities once you have entered into such a joint venture?

Mr. VELARDE. Initially they did, and then it was only through constant encouragement by our tribe and other tribes that they decided to come around and start doing accounting on these.

Senator MELCHER. Well, was that encouragement in the form of lawsuits?

Mr. VELARDE. Through the royalty management advisory committee, we, myself and other Indian representatives, served on a panel that recommended this very strongly. And I think it was only through this panel recommendation that MMS decided to account for non-standard agreements.

Senator MELCHER. Well, as the author of that bill, developed in cooperation with not just members of Congress, but with people in the Department of the Interior, I can state categorically that the action of tribes entering into such joint ventures does not relieve the Department of the Interior of its trust responsibility.

Indeed, the statute itself states that a joint venture proposal, the contract proposal, between the tribe and any mineral development company must be approved by the Secretary prior to entering into such an agreement.

So starting from that standpoint, I find it almost, well, shocking to say the least, that the Department of the Interior would ever lead anybody to believe that somehow their trust responsibility was relieved by the fact that the tribe had a contract or a joint venture for production of minerals on the reservation.

Now, I want to go to other points in your testimony which also shocked me. You state that there is no well inspection by MMS, is that correct? Did I read your statement correctly?

Mr. VELARDE. Well inspection by BLM. The initial inspections are performed by BLM personnel.

Senator MELCHER. That is the new well?

Mr. VELARDE. Yes.

Senator MELCHER. But there has been no inspection of the well that is producing, is that correct?

Mr. VELARDE. To my knowledge, I have never seen anyone in the field doing these kinds of inspections.

Senator MELCHER. To your knowledge?

Mr. VELARDE. Uh-huh.

Senator MELCHER. Could they be doing it without your knowledge?

Mr. VELARDE. Well, we have a cooperative agreement with BLM and one of the understandings that we have with BLM is that they would inform us of any inspections that they are doing. And we have no information.

Senator MELCHER. Now, as one of those who took an active interest in what we are doing with federal oil royalty management, let me say that I thought it was absolutely essential that there be an annual inspection of the producing wells. I do not know how you can operate without one.

Did you want to add to that?

Mr. TARADASH. Senator, may I just add a remark to that?

Senator MELCHER. Go ahead.

Mr. TARADASH. Two years ago I spoke with the director of the BLM office in Farmington, which is responsible for the entire San Juan basin. At that time he had allocated on his staff a total of 18 positions, only 12 of which were filled because of the freeze on federal hiring and replacement for those people that had departed.

Those twelve persons included himself as the director and other people on staff. They simply, if they stayed awake every hour of the day and drove around, as dispersed as those 10,000 wells are, every day of the year, they could not possibly inspect all of the wells in the San Juan basin.

Again, by design and staffing there is absolutely no way that those wells could be properly inspected throughout the basin.

Senator MELCHER. Well, there is no way of knowing what is going on unless there is some mechanism of well inspection, not just to put in a well for new production, but those that are in production.

For that Act to be successful depends upon well inspections, it depends upon site security, it depends upon production accounting, and finally, it depends upon auditing. Now, all four of those points I feel were fairly outlined in the statute.

And if it is not being done, we indeed have a serious problem, because there is no way that I know of of having accurate accounting for oil and gas royalties unless you have all of those points. And all of those points seem to me to be required in the Act.

When a tribe such as the Jicarilla Apache Tribe has entered into a joint agreement or a contract with an oil company, there is no relinquishment of trust responsibility. But Mr. Chavez, you bring up a point. I think I understand it correctly. The Shii Shi Keyah Association is an association of Navajos who have some production on their own allotments, is that right?

Mr. CHAVEZ. That is correct, Mr. Chairman.

Senator MELCHER. And there is no joint agreement, there is no contract on this production by the Navajo Tribe. It is production on leases owned by allottees, is that correct?

Mr. CHAVEZ. That is correct, Mr. Chairman.

Senator MELCHER. And so you have formed this association of allottees, is that right?

Mr. CHAVEZ. That is correct.

Senator MELCHER. In other words, to have a clearinghouse, to have one voice speaking for all of the allottees, you have formed this association?

Mr. CHAVEZ. That is correct, Mr. Chairman.

Senator MELCHER. And your testimony is to the same effect, that there is a lack of inspections on the wells that are producing, lack of site security, is that true?

Mr. CHAVEZ. That is correct.

Senator MELCHER. On those wells?

Mr. CHAVEZ. That is correct. In some of our recent meetings, I have asked some of the Shii Shi Keyah Association members as to what the BLM role is as they see it, and it was surprising to find out that they thought that the BLM role was mainly to patrol the grazing lease on their property.

And they had no idea that BLM was there also to patrol and do some of the site security work on it.

And to my understanding—and I know—BLM very seldom, if at all, does any kind of security or anything at the present time.

Senator MELCHER. And therefore, the question of how much is produced is unanswered?

Mr. CHAVEZ. Yes, Mr. Chairman. Some of the recent questions that have been coming to me is, some of the elderly people say: Well, I have been seeing trucks hauling oil away from the gas wells near my home for 24 hours at a time, but yet there is no royalty.

And then some of them I guess do not know that MMS is only reporting production sales, not production from the gas wells.

Senator MELCHER. Are those mostly gas wells or are they oil and gas?

Mr. CHAVEZ. This is oil and gas wells that are owned by allottees.

Senator MELCHER. Well, one of the things that bothered me when we heard from BLM was that there were no on- or off-lease inspections of oil transporters in all of 1987.

When we talk about site security, I think we are talking about the same thing, but let me review that. Site security we found was absolutely essential, first of all, to make sure there were not any bypasses, where the oil or the gas simply went around an accounting mechanism.

It sounds outrageous that there were such bypasses any way, but I viewed some myself. They did not happen to be on Indian production. The ones I saw happened to be just off federal leases.

Why they were there, nobody ever had a satisfactory answer. But it has been my understanding from recent testimony that the bypasses no longer exist. Well, that is fine, that testimony is fine. But if you do not have on-site inspection for site security, I do not know how you make that determination.

This is a discouraging round of testimony, let me tell you, because it is sort of deja vu. We knew that there was not adequate inspection. We knew that there was not adequate inspectors under USGS.

We had to accept, or at least I had to accept—I was not all that enthused about the Linowes Commission, but we had to accept the recommendations, as it turned out, in writing the legislation. We insisted, however, that these basic points be part of the legislation.

And to find out that they are not being followed bothers me very much. That is, inspection of producing wells, on-site security, the actual measurement of production, and then the auditing of that production after it is measured in the field.

Now, granted that not all of the measurement can be reviewed constantly. Spot checks we thought would be adequate. We are finding out that we cannot find any spot checks for measuring whether the oil produced or the gas produced is accurately reported.

Then of course that gets into the question of auditing. If you do not have that, you do not really have a solid basis for auditing.

Let me assure you that this Committee views this as a responsibility that we cannot ignore. The Committee I think will want to take note of all of this and strengthen—require—that the Royalty Management Act be operated as we intended it to be operated.

There was no mystery about needing inspectors. We knew that from the outset. USGS wanted more inspectors. Taking the responsibility away from USGS, giving it to Minerals Management Service, does not remove any of the responsibility of the Secretary of the Interior to make the system work. If there are not enough inspectors, that is a fault of the Secretary of the Interior.

When it was under USGS, it was under the Secretary of the Interior. Creating MMS, a new entity, still puts it under the Secretary of the Interior. The requirement to have adequate inspectors, knowledgeable, with some degree of experience in the field, was absolutely essential or there was not going to be any correction of anything.

I want to add, the training ground or the training office in Phoenix, I think I twice visited it. Is it still in Phoenix or has it moved somewhere else for inspectors? Do you people know?

[No response.]

Senator MELCHER. It is still in Phoenix. Well, they are not getting them out, and that is really basic for making this whole system work.

Senator Wallop.

Senator WALLOP. Mr. Chairman, is it that there is a suspicion that somebody is stealing the production or is it that there is knowledge of it?

Mr. TARADASH. Senator, if I might. We have, as Mr. Chavez indicated, heard from a number of people either that there is a well right next to the residence and it is pumping and they are not getting paid, or the trucks come, still at night, and haul oil from the field, and yet they see no royalty payment.

Now, if you are asking if we have any evidence of the kind of theft that I believe Senator Melcher alluded to at Wind River and others, where there were bypasses, no, we do not have any evidence.

Senator WALLOP. Let me ask you this. What happens then? I mean, who do people tell that they see trucks in the middle of the night?

Mr. TARADASH. They will go to the Bureau of Indian Affairs office most frequently and mention that to somebody. But there simply is no staff available that focuses on this. Let me just give you an example——

Senator WALLOP. Well, but wait a minute. It would seem to me that if anybody had a specific and recurring circumstance, it does not take a big staff to go to where that recurring circumstance is.

Mr. TARADASH. It takes someone whose duty it is to do exactly what you are talking about, Senator. And there is no person whose duty it is to do that.

Senator WALLOP. The tribes each have committees or associations. So is it not possible for them to do it and bring the information complete?

Mr. TARADASH. The tribe has a minerals department staff. The Navajo Tribe has a minerals department staff, as does the Jicarilla Apache Tribe. But that staff is limited, and——

Senator WALLOP. Again, I understand the limitation. But if there is the recurring behavior in a given place, it would seem to me that there is more that could be done about it except say that there is recurring behavior in a certain place.

Mr. TARADASH. We have complained. We have sued the Secretary of the Interior. We are in litigation with the Secretary now over many of these issues. And it has been difficult at best.

The people that you are dealing with, Senator, who are being affected by this are very poor people.

Senator WALLOP. I understand that. But the tribe itself, with the committees and associations, it would seem to me would have some ability to challenge directly or to inspect directly a given well that somebody was suspicious of recurring unrecorded production.

Mr. TARADASH. Senator, let me give you one historic example that is very instructive, and I will not take but a minute to explain this. In the mid-1970's in the Aneth oil field on Navajo lands up in southeastern Utah, there were continuing problems with one of the producers, Texaco. We still hear complaints from people that have problems of noxious odors being emitted from those very same wells that go into their homes when the wind blows in the right direction, that literally drives them from their homes because they get physically sick.

Now, in the mid-seventies the only remedy available to those people—and these were elderly ladies. They got rifles and took over the Texaco field office, and that was the level to which they had to go to get someone to address the problem.

It has not been meaningfully changed to this day in terms of there being a meaningful remedy.

Senator WALLOP. Well, it is two different kinds of events that we are talking about. I am talking about a specific recurring pattern that somebody says is taking place around a given well or a given storage facility. It would seem that it would not be difficult either for the association for the tribal production units or somebody specifically from MMS to go directly to that instance and examine it.

It would not seem that it would require a large new federal work force to accomplish that.

Mr. TARADASH. The requests have been made and the response has been negative. Nothing happens.

Senator WALLOP. Would you be able to supply for the Committee the reported requests?

Mr. TARADASH. Yes, we will be glad to. We will supplement the record with evidence of that.

Senator MELCHER. I think that would be most helpful.

Let me return again to bypasses. The one or more that I observed did not happen to be on Wind River. I had heard about the existence of bypasses, but I was shocked to find one out near Bakersfield on federal leases. I actually saw a bypass or two.

This question of moving oil off of the lease—in that particular field, it is like a jungle. So many wells close to each other, you do not know which is federal, which is state, which is private.

But oil would be pumped out of the sump. Now, the sump held some oil that is good enough for bunker fuel. And how did we know? How did we ever find out that yes, indeed, some of that bunker fuel that we heard reports, that it was coming out of that field, was being trucked down to Long Beach, San Pedro, and sold directly to ships needing bunker fuel?

It was not discovered by federal people. It was discovered by the sheriff's office, who just happened to stop a truck and ask him where he got the oil. The driver admitted he just pumped it out of the sump and was headed for San Pedro to sell it to a ship for bunker fuel.

What everybody thought could not happen, with any regularity at least, apparently was happening. It was identified only by the sheriff's office. They just happened to stop a truck and ask the driver to identify where he got the oil.

When we passed this Act in 1982 to provide for tighter control, we said the run tickets had to be in the possession of the driver. Well, if nobody is ever stopped to see whether they have got a run ticket, there is no assurance that the situation does not continue.

I guess I am sort of like Senator Wallop. I would expect the tribes through their own observation to be a little bit more vigilant. If you have actually documented complaints to the BIA, to MMS, to the Department of Interior, or to anybody, it would be most helpful to this Committee to make it available to us because we need something that we can come right back at the Department of the Interior and say to the Secretary, you are really not paying attention to what is going on.

And I am afraid from your testimony that that is exactly what is happening. The Secretary, through MMS, through the BLM, through the BIA—it is all under his control—really does not know what is going on.

If that situation exists, the intent of Congress is absolutely being ignored in federal oil and gas royalty management.

Yes, Mr. Chavez.

Mr. CHAVEZ. In response to Senator Wallop's question a minute ago, I think what you are asking is, if it is a recurring incident why do we not do something about it, I think is what you are saying. I think the association—the only thing we can turn to right now is the Bureau of Indian Affairs, because it is on allotment leases, either that or the tribe.

And if we go to the tribe, right now the tribe has their own minerals system which they have a person that patrols that. I do not know if they patrol it on a daily basis. But the thing is, if we go to the BIA right now we are told that they are understaffed, there is nobody that can go out there to check this stuff.

And sure, if we could be set up financially, the Shii Shi Keyah Association could hire somebody to do this, and I think it would be welcomed. But we do need assistance from you all and from the tribe to do this. And I think this is one area that we need some help in, if we can set something up where we can do some of this checking of some of these things ourselves.

Senator MELCHER. Thank you all very much for your testimony.

Oh, one last question. Under the Federal Oil and Gas Royalty Management Act, we said that they have to keep the records for

six years. That we thought would be long enough for any necessary auditing.

Is it your opinion that, since there has not been any auditing, that perhaps these records ought to be kept longer than six years? That is statutory now and if it is going to be changed, we would have to change it.

Mr. WONG. Senator, I would like to have the opportunity to respond to that, because with the statute of limitations of six years allotment records that had never been audited would disappear because of six-year cycle.

So those records will be not available after six years.

Senator MELCHER. Well, Mr. Wong, you would feel then that they should be kept longer than that because the auditing has not been done?

Mr. WONG. Yes. If the auditing has been done on the six-year cycle, the records can be discarded. But if the lease has not been audited, I think the statute should allow a longer period.

Senator MELCHER. In other words, if the auditing has been done, okay; but if it has not been done, keep them longer than six years?

Mr. WONG. That is right.

Senator MELCHER. Thank you.

Thank you all very much for your testimony.

Now we are going to have a second panel this morning: Raymond White Tail Feather, Chairman of the Assiniboine and Sioux Tribes from Poplar, Montana; Gary Collins, Chairman of the Arapaho Business Council from Fort Washakie, Wyoming; and John Washakie, Chairman of the Shoshone Business Council from Fort Washakie, Wyoming.

Senator WALLOP. Mr. Chairman, before the panel begins I want to say that I regret that I have another hearing that I have to go to. But I just did want to introduce to you, if you have not already met them, both John Washakie and Gary Collins, long time friends of mine. And they are really among the most articulate members of the Indian nations of America today on not only oil and gas, but a whole variety of other things.

Senator MELCHER. Yes, I have often sought their counsel on Indian matters on a broad range of problems that are common to Indian tribes.

Gary and John, welcome to the Committee. We met, when was it, a few weeks ago when Senator Inouye was in Billings. And of course, Raymond, it is nice to have you here, too. We are delighted to have your testimony.

Senator WALLOP. Might I just say that I appreciate it. I have both of your statements and we will visit on it.

Mr. WASHAKIE. Thank you for the introduction, Senator, and it is good to see you. Thank you.

Senator MELCHER. Before we start, I wonder, would it be better for you, Dr. Nielson, if we hear from you this morning or this afternoon?

Well, if it does not inconvenience you we would prefer it this afternoon. We are going to have to conclude this testimony by five of 12:00. We may not be through with this panel by that time, and I hope it will not inconvenience the panel to return at 1:30.

All right, let us proceed as far as we can this morning, and what we cannot finish we will take up at 1:30. I believe the way we have the witnesses, we have Raymond first. Would you please present your testimony.

STATEMENT OF RAYMOND WHITE TAIL FEATHER, CHAIRMAN, ASSINIBOINE AND SIOUX TRIBES OF FORT PECK RESERVATION, ACCOMPANIED BY MARVIN SONOSKY, ESQ., COUNSEL, ASSINIBOINE AND SIOUX TRIBES

Mr. WHITE TAIL FEATHER. Mr. Chairman and members of the Committee:

I am Raymond White Tail Feather, the Chairman of the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation in Montana. We certainly are happy to be here to present testimony and the opportunity also to make comment on the way our trustee, the Department of the Interior, and especially the Secretary of the Interior, and the manner in which he is managing our most valuable income-producing resource, our oil and gas leases.

First of all, Mr. Chairman, I would like to begin by giving you some basic information concerning our reservation that will give you the background knowledge of the oil and gas development on our reservation. Our reservation is comprised of 2.2 million acres of land, and half of this is in trust.

The other thing that I think you need to note is that our reservation is an open reservation. We have fee property and trust property adjacent to each other.

What I would like to present at this time also is the number of leases that we have presently. We are—the Department of the Interior is responsible for 1,793 individual Indian trust oil and gas leases, and about 285 tribal oil and gas leases.

Now, the individual Indian gas leases cover approximately 303,017 acres, of which 17,920 acres, about 221 leases, are held by production. The tribal leases cover 32,397 acres, of which 9,991 acres, about 46 leases, are held by production. That is information I think that is necessary for you to understand the nature of our oil and gas production on our reservation.

Now, as it has been pointed out, the United States holds our oil and gas in trust and they have it in their own name. And the Secretary of the Interior has complete trust obligation over our trust oil and gas leases. He has regulation and he governs every single aspect of management, which includes leasing, development, operation, sale, production, collection of royalties, and payment to the royalty owners.

Now, what I would like to point out at this time is that the Secretary divides his trust fee responsibility in three ways. And this has already been discussed, but I think it needs to be mentioned again, and that is: the Bureau of Indian Affairs for leasing and investing, and this is the local Indian agency; the Bureau of Land Management for operation and production—now, the BLM office for our reservation is 175 miles from our reservation and located in Mile City, Montana—and the Minerals Management Service for collecting the money. Now, MMS is located in Denver, which is 1,000 miles away.

Okay, these three entities are the entities that oversee our oil and gas trustee responsibility and the system of doing business on the reservation.

Now, we know that the Secretary as our trustee has the responsibility to oversee our oil and gas and that this should be done in a prudent manner, just as an oil and gas man would do it. But this is not the kind of management that we are getting from our trustee.

As it was pointed out, also on our reservation the one area there is no concentration in is the allottee, the enrolled members of the Fort Peck Assiniboine and Sioux Tribes. There they themselves are not getting any kind of accounting or there are no reports being made as to the oil and gas that is being produced on their leases.

And as it also was pointed out, the Bureau itself, the local agency, has no expertise within the agency. There is no geologist there, no petroleum engineers, which should be, which has been pointed out.

But on the other hand, as it also has been pointed out, the Bureau of Indian Affairs has experts in all the other areas, in agriculture, in irrigation, in all the other natural resources. Now, as I pointed out, the oil and gas we feel is the most important natural resource. Therefore, it would seem that the Bureau would have this type of expertise in the local Bureau of Indian Affairs.

One thing I would like to point out in contrast to this is that the tribe itself, we have hired a geologist. We have a petroleum engineer working for us. We have established a minerals office. And through these efforts, we have been able to oversee our oil production.

But we cannot do an adequate job because we have limited resources, and we feel that the Secretary of the Interior as trustee should provide those services to us. And as I pointed out, the BLM is busy with the federal oil and gas holdings, and they are 170 miles from us. And they are—and the trustee is running an operation which oversees 335,000 acres and about 28,000 acres in production, with no professional help.

And I just wanted to make that a point. I think that these figures alone would cast suspicion. And as I pointed out, the Fort Peck Indian Reservation is open and as a result of that we have oil and gas leases where a non-Indian oil and gas production is taking place next to a tribal or an allottee's oil and gas production.

The oil companies prefer to develop fee land first. One reason is freedom to drain the adjoining trust leases, sometimes owned or controlled by the same company. In the history of oil and gas operations on our reservation, we do not know of a single instance where the Department required a lessee of trust land to develop or give up the lease when drainage situations are brought to the Department's attention.

BLM sometimes will write a letter. For some reason, the lessee always seems to be able to persuade the BLM that the company is right and there is no reason to drill the wells on the trust lease.

What our tribe feels is that there is a need for proper accounting. At the outset, let me say what is needed is for the tribe and every Indian trust royalty owner is a regular monthly accounting of what the government is doing with our trust oil and gas, what

money is due, what is paid, and when, and what the government is doing with the money it collects.

Oil companies furnish every royalty owner, no matter how small his interest, with a statement of account every month. At the very least, our trustee should furnish to the tribe and every Indian lease the monthly statement for trust royalty owners showing at a minimum the following, and I would like to point out what we feel should be on those monthly statements:

First of all, there should be a lease number;

Second, the production for the monthly period in barrels and MCF;

Third, the unit value per barrel or MCF;

And fourth, the gross value of the production;

Fifth, deductions with explanations, because ordinarily there should be none;

Sixth, the royalty rate, rental where the lease is not producing;

Seventh, the gross amount of royalty;

And eighth, the amount of royalty paid;

Nine, the date payment was due;

Ten, interest for late payment and penalties;

Eleven, the lessor's share in the royalty and interest;

Twelve, the date the Department received payment;

Last, the date the payment was credited to the lessor's interest-bearing trust account.

A key to every code number and abbreviation used should be printed on every statement.

No satisfactory explanation has ever been offered as to why the Department does not require oil and gas producers to supply each trust royalty owner directly with a monthly statement, just as the companies furnish that same information to tens of thousands of non-Indian royalty owners.

Oil companies furnish such monthly statements even when the ownership involves dozens or hundreds of highly fractional interests and write a separate check to each owner. The Department could, but refuses to, require such statements from the oil and gas companies.

That one step would do away with many of the problems stemming from the Department's three-headed management, as well as the government's costs and the tribe's costs. For one thing, it would give information to the individual Indian lessor.

And as it was pointed out and as I have stated before, the individual Indian gets no report at all telling them what the trustee is doing with their oil and gas.

The Indian agency on the reservation sends the tribe a copy of the production report that the BLM sends to the agency. The tribes receive no other reports from the BIA, no reports from BLM, and four reports from MMS.

The MMS reports should be, but are not always, received each month. The four reports we receive are computer printouts. They use code numbers and abbreviations without explanation.

They are not clear or easy to read or easily understandable. They give some, but not all, information. To use these reports, the tribes are supporting a very substantial payroll to try to find out whether we are being paid what we are entitled to.

Now, the remainder of my report, I would like to just review these reports that we receive from the MMS. And I believe you should have a copy of the exhibits on hand, and I will go through these briefly so that you will get an understanding of what we have to contend with.

The first report, explanation of payment data furnished to the BIA. This report consists of three parts as follows. If you turn to page 1, example A1, which is titled "Detailed lease data," from part 1 we can figure out for each lease most of the information in items 1 through 9 which I read on page 5.

But MMS does not give information as to when the money was due, which I stated in item 9, or when the Department received the money, item 12, or when the money was credited to the tribe's interest-bearing account, item 13. Those items are not present in this particular form here.

Now, page 2, if you go to example A2, is entitled "Detailed assessment data by lease." MMS gives no explanation of what is meant by "assessment data." If it means interest or penalties for late payments as required by the regulations, the form should say so.

The tribes are entitled to know for each lease when royalties are due, whether payments are timely so they can check. MMS does not furnish that information.

Part 3, which is on page 3, example A3, "Summary of products for tribe." This summary does not identify lease and is of small use to the tribes.

The second report, Exhibits B and B1, financial distribution report. Exhibit B shows by lease number some of the information listed in items 1–11, page 5. The report does not show gross value, item 4. There is no explanation of assessment or allowance.

There is no showing when the payment was due, item 9, when it was received, item 12, and when it was credited to the tribe's interest-bearing account, item 13. Now, B1 is on page 4 there—B I mean is on page 4, and B1 is page 5.

Exhibit B1 relates to a nonproducing lease. There is no showing of the amount of the rental or the time period for which the rental was paid. We know that the lease rental is annual. The report, Exhibit B1, shows only that it is for 1/15/88 through 1/26/88, certainly not the rental period.

Now, the third MMS report is Exhibit C and that's on page 6. This is titled Indian check transaction listing. This report, captioned the column—and there is a correction there. It's not "department ticket," it's "deposit ticket," apparently the amount sold.

All production at Fort Peck is moved to markets by trucks. Production at Fort Peck is not measured by oil meters. The truck driver fills his tank and leaves a run ticket in a can or glass jar. The run ticket is supposed to show the barrels he took. A pumper, a company employee, picks up the run tickets and turns them in to his company. The company keeps the run tickets and reports the production to the BLM.

Our trustee assumes everybody is honest and pure. What check is made to the truck driver—what check is made on the truck driver? Our trustee does not check or monitor the collection of oil,

not even on a random basis, to make sure that oil is not being stolen.

No truck is stopped to make a comparison of the load and the run ticket.

All the tribes get is a copy of the production report that the BLM sends to the Indian agency. The run tickets are the backup for the production reports. The tribes do not know whether the BLM keeps the run tickets in an orderly manner or whether they are accessible for examination by the tribes.

About all the MMS report, Exhibit C, does is to say that a lessee issued the check. The due date of the payment is not shown, the date of the lessee's check is not shown, the date that the Department received the check is not shown, the date the Department credits the money to the tribe's interest-bearing account is not shown.

The fourth MMS report is Exhibit D, report of sales and royalty remittance. This is labeled an information report with a variety of code signals without any definition of the code signals.

That's on page 7. None of these reports would be acceptable for purposes of a trustee accounting to the beneficiary of a trust. The tribes and every trust lessee are entitled to know for each lease how much was produced, what it was worth, what is owing, when it was paid, and when it was credited to the trust owner's account.

We want reports that will let us track the accounts to see if our trustee is right. The kind of reporting done by the Department makes the tribe's efforts to keep track of its oil and money impossible for some aspects and very difficult for the rest.

The main reason is that the reports omit critical information. The other reason is that the reports do not furnish the information in a clear, understandable form. We show two examples, both taken from recent reports. These are Exhibits E1, E2, E3, and those are on page 8.

This is an example where $4,538.54 was received on February 29, 1981—1988, excuse me. Exhibit E1 shows that on February 29, 1988, MMS received $4,538.54 from Amerada Hess. That sum should, but does not, show up on the amounts received as of March 31, 1988, as Exhibit 2, nor does it show up on the most recent detail as of May 31, 1988, Exhibit 3.

Those are the next two following pages, Exhibit 2 and Exhibit 3.

This sort of piecemeal accounting is most unsatisfactory. The tribes and every other trustee lessee are entitled to the facts, timely delivered in a clear, understandable, useful form.

Now, Exhibits F1 and F2—these are on pages 16 through 19, if you would turn to those pages, beginning with page 16. Now, these—this was a letter that I wrote which is a request for production and underpayment audits.

Before I tell you about these examples, let me make two points. First, lessees report production to BLM, but MMS collects the money. How does MMS know what the payment should be?

This also is important to note. The Supreme Court and the Solicitor of the Department of Interior have ruled that Montana is not entitled to taxes on tribal royalty oil. The state and the companies are well aware of this. Apparently this is news to MMS.

Third, royalties come off the top, not after the lessee deducts any of its costs.

Now to the audit report, which is Exhibit F1. The tribes cannot reconcile the reported production for one lease with the amount MMS said it collected. On the other four leases, the tribes found that for three years the companies used tribal royalties to pay over $130,000 in state taxes and unauthorized transportation costs. MMS made no objection.

By memorandum on December 14, 1987, F1—that is the example on page 16—I asked the Indian agency at Fort Peck to call for audits on five leases. I sent along the backup data, which is example F2 on page 19.

The Fort Peck Indian agency on December 17, 1987, forwarded my request with supporting data to the BIA area office at Billings. This is example F3 on page 34. The area office forwarded the request to MMS. The tribes heard nothing.

The tribes, through their own line computer hookup, discovered that MMS had received their request, but had done nothing with it and had not even acknowledged it. And that's example F4 on page 35.

That is how matters still stand. MMS disregards us. And please notice, this is where the tribes at their own expense unearthed an obvious deficiency. Imagine what goes on with the oil and gas of individual allottees, where the trustee reports to nobody and never has to account to the tribal or Indian owners unless a suit for an accounting is filed.

Now, Exhibits G1 and G2 are examples that audit requests for improper deductions. The problem is a continuing one. I saw that the Bureau of Indian Affairs could not get any action out of MMS, so on the next round I tried writing to MMS direct, instead of through BIA.

By memorandum of May 18, 1988, I called on MMS to audit a number of tribal leases because the companies were improperly paying Montana taxes out of the tribe's trust royalties and because MMS was incorrectly reporting sales in royalty figures.

Now, this is example G1 and that is located on page 39. I sent along the data supporting my request, which is example G2, and that is on page 42. I call attention to my prior request for an audit. I repeated the need to move promptly to recover the large amount of taxes improperly paid out of the tribal royalties, and pointed out that the companies were continuing to pay taxes out of tribal royalties.

I called attention to the erroneous sales and royalty figures on two leases that needed correction, and that was example G1.

The tribes got no result. MMS continues to disregard us.

In conclusion, may I say that the primary thing wrong is that the trustee does no account and there is no compulsion on it to account. The tribes and all other trust owners are kept in the dark. The tribes know enough to know that our oil and gas is mismanaged.

If we had clear, complete, and regular reports covering all aspects of the management of our oil and gas, we would be in a better position to expose the deficiency. As we see it, things never

will be better until the law requires the Secretary to deliver a responsible accounting to every trust royalty owner.

I want to thank you for the opportunity of presenting the testimony. I have my legal counsel present with me, Mr. Marvin Sonosky, and if he would wish to present some testimony I would like to have him respond.

[The prepared statement of Mr. White Tail Feather follows:]

Statement of Raymond White Tail Feather
Chairman, Assiniboine and Sioux Tribes of
the Fort Peck Reservation, Montana
before the
Subcommittee on Mineral Resources Development and
Production of the Senate Committee on Energy
and Natural Resources
July 12, 1988

Mr. Chairman and members of the Committee my name is Raymond White Tail Feather. I am the Chairman of the Assiniboine and Sioux Tribes of the Fort Peck Reservation in Montana. Let me assure you that the people of the Tribes and in particular the oil and gas lessees are grateful to you for the opportunity to bring to public attention the manner in which the Department of the Interior is managing our most valuable income-producing resource.

We have about 2.2 million acres on our reservation. About one-half is trust land. On that trust land the Department of the Interior is responsible for about 1,793 individual Indian trust oil and gas leases and about 285 tribal oil and gas leases. The individual Indian leases cover 303,017 acres of which 17,920 acres (about 221 leases) are held by production. The tribal leases cover 32,397 acres of which 9,991 acres (about 46 leases) are held by production.

The United States holds that oil and gas in trust in its own name. The Secretary of the Interior has complete control. His regulations govern every single aspect of management including leasing, development, operations, sale of production, collection of royalties and payment to the royalty owners. The Secretary divides his trustee responsibility three ways -- Bureau of Indian Affairs for leasing and investing the trust money -- the Indian Agency is on the Reservation; the Bureau of Land Management for operations and production -- the BLM is at Miles City, 170 miles away; and the Minerals Management Service for collecting the money -- the MMS is in Denver, a thousand miles away. Each of the three, as you might suspect, has its own system of doing business.

We understand that the law makes the Secretary our trustee. To us that means our trustee has a duty to manage our trust oil and gas at least as well as would a prudent, informed oil and gas man. But that is not the kind of management we are getting.

On the reservation, our people have only the Indian Agency to look to. But, the Agency, through no fault of its own, is of small help. The Agency, and as far as we know the Bureau of Indian Affairs, has no independent expert assistance -- no supervising geologists, no petroleum engineers, no specialized

accountants. The odd thing is that the Department supplies the Agency with experts on agriculture, irrigation, grazing and experts for every natural resource on the Reservation except the one that is the most valuable and produces the most trust income -- oil and gas.

There may be geologists and petroleum engineers inside the Department. But there is nothing local. The BLM is busy with the federal oil and gas holdings. The nearest office is about 170 miles from the Reservation. Can you imagine a responsible trustee running an operation with over 335,000 acres under oil and gas lease and about 28,000 acres in production with no professional help on the ground.

These acreage figures alone cast suspicion. Fort Peck is an open reservation. That means trust oil and gas leases are next to non-Indian oil and gas leases. The oil companies prefer to develop fee land first. One reason is freedom to drain the adjoining trust leases, sometimes owned or controlled by the same company. In the history of oil and gas operations on our Reservation we do not know of a single instance where the Department required a lessee of trust land to develop or give up the lease. When drainage situations are brought to the Department's attention, BLM sometimes will write a letter, but for some reason the lessee always seems able to persuade the BLM

that the company is right and there is no reason to drill wells on the trust lease.

The Tribes do their best to look after the tribal oil and gas. The Tribes pay for a tribal geologist, a tribal oil and gas engineer, legal counsel, and a tribal minerals department. The Tribes spend that money to try to protect our property. We are not satisfied that our trustee is doing the job. Even so, we have great difficulty trying to keep tabs on the tribal leases. The Tribes should like to look after our individual members' oil and gas but we cannot afford it. We are much concerned because the Department does very little for the individual Indian royalty owners. Even with our limited resources we see things that are wrong.

The need for a proper accounting. At the outset, let me say that what is needed for the Tribes and every Indian trust royalty owner is a regular, monthly accounting of what the Government is doing with our trust oil and gas; what money is due; what is paid and when; and what the Government is doing with the money it collects. Oil companies furnish every royalty owner, no matter how small his interest, with a statement of account every month. At the very least our trustee should furnish to the Tribes and every Indian lessee a monthly statement for trust royalty owners showing at a minimum, the following:

1. The lease number.
2. The production for the monthly period in barrels and mcf.
3. The unit value per bbl or mcf.
4. The gross value of the production.
5. Deductions (with explanations because ordinarily there should be none).
6. The royalty rate (rental where the lease is not producing).
7. The gross amount of royalty.
8. The amount of royalty paid.
9. The date payment was due.
10. Interest for late payment and penalties.
11. The lessor's share in the royalty and interest.
12. The date the Department received payment.
13. The date the payment was credited to the lessor's interest-bearing trust account.

A key to every code number and abbreviation used should be printed on every statement.

No satisfactory explanation ever has been offered as to why the Department does not require oil and gas producers to supply each trust royalty owner direct with a monthly statement, just as the companies furnish that same information to tens of thousands of non-Indian royalty owners. Oil companies furnish such monthly statements even when the ownership involves dozens or even hundreds of highly fractional interests and write a separate check to each owner. The Department could, but refuses to, require such statements from the oil and gas companies. That one step would do away with many of the problems stemming from the Department's three-headed "management" as well as reduce the

Government's costs and the Tribes' costs. For one thing it would give information to the individual Indian lessor.

Reports from the Department. Right now the individual Indian lessees gets no reports telling them what the trustee is doing with their oil and gas. The Indian Agency on the Reservation sends the Tribes a copy of the production report that the BLM sends to the Agency. The Tribes receive no other reports from the BIA, no reports from BLM and four reports from MMS. The MMS reports should be, but are not always, received each month. The four reports we receive are computer printouts. They use code numbers and abbreviations without explanations. They are not clear, or easy to read, or easily understandable. They give some, but not all information. To use these reports the Tribes are supporting a very substantial payroll to try to find out whether we are being paid what we are entitled to.

I shall briefly describe the four reports we receive from MMS. Two sets of the exhibits I refer to are in separate volumes accompanying this statement.

First Report "EOP" - "Explanation of Payment Data Furnished to the BIA". This report consists of three parts as follows:

Part 1. (Ex. A-1). "Detailed Lease Data". From Part 1 we can figure out for each lease most of the information in Items 1-9 (p. 5, above) but MMS does not give information as to when the money was due (Item 9), or when the Department received the money (Item 12), or when the money was credited to the Tribes' interest-bearing account (Item 13).

Part 2. (Ex. A-2). "Detailed Assessment Data by Lease". MMS gives no explanation of what is meant by "Assessment Data". If it means interest or penalties for late payments, as required by the regulations the form should say so. The Tribes are entitled to know for each lease, when royalties are due and whether payments are timely so they can check. MMS does not furhish that information.

Part 3. (Ex. A-3). "Summary of Products For Tribe". This summary doe not identify leases and is of small use to the Tribes.

Second Report Exhibits B and B-1 "Financial Distribution Report". Exhibit B shows by lease number some of the information listed in Items 1-11 (p. 5, above). The report does not show gross value (Item 4), there is no explanation of "Assessments" or "Allowances", there is no showing when the payment was due (Item 9), when it was received (Item 12), and

when it was credited to the Tribes' interest-bearing account (Item 13).

Exhibit B-1 relates to a non-producing lease. There is no showing of the amount of the rental, or the time period for which the rental was paid. We know that lease rental is annual. The report (Exhibit B-1) shows only that it is "For 1/15/88 Thru 01/26/88" -- certainly not the rental period.

Third MMS report (Exhibit C). "Indian Check Transaction Listing". This report captions a column "Department Ticket #" apparently the amount sold. All production at Fort Peck is moved to market by trucks. Production at Fort Peck is not measured by oil meters. The truck driver fills his tank and leaves a "run" ticket in a can or glass jar. The "run" ticket is supposed to show the barrels he took. The "pumper", a company employee, picks up the "run" tickets and turns them into his company. The company keeps the "run" tickets and reports the production to the BLM.

Our trustee assumes everybody is honest and pure. What check is made on the truck driver? Our trustee does not check or monitor the collection of oil, not even on a random basis, to make sure that oil is not being stolen. No truck is stopped to make a comparison of the load and the "run" ticket.

All the Tribes get is a copy of the production report that the BLM sends to the Indian Agency. The "run" tickets are the backup for the production reports. The Tribes do not know whether BLM keeps the "run" tickets in an orderly manner, or whether they are accessible for examination by the Tribes. About all the MMS report (Exhibit C) does is say that a lessee issued a check. The due date of the payment is not shown. The date of the lessee's check is not shown. The date the Department received the check is not shown. The date the Department credited the money to the Tribes' interest-bearing account is not shown.

Fourth MMS report (Exhibit D) "Report of Sales and Royalty Remittance". This is labeled an information report with a variety of code signals without any definition of the code signals.

None of these reports would be acceptable for purposes of a trustee accounting to the beneficiary of a trust. The Tribes and every trust lessee are entitled to know for each lease, how much was produced, what it was worth, what is owing, when it was paid and when it was credited to the trust-owner's account. We want reports that will let us track the accounts to see if our "trustee" is right.

The kind of reporting done by the Department makes the Tribes' efforts to keep track of its oil and money impossible for some aspects and very difficult for the rest. The main reason is that the reports omit critical information. The other reason is that the reports do not furnish information in a clear, understandable form. We show two examples both taken from recent reports.

Exhibits E-1, E-2, E-3. Example $4,538.54 received February 29, 1988. Exhibit E-1 shows that on February 29, 1988, MMS received $4,538.54 from Amerada Hess. That sum should, but does not, show up on the amounts received as of March 31, 1988 (Exhibit E-2), nor does it show up on the most recent detail as of May 31, 1988 (Exhibit E-3).

This sort of piecemeal accounting is most unsatisfactory. The Tribes and every other trust lessee are entitled to the facts, timely delivered in a clear, understandable, useful form.

Exhibits F-1, F-2. Examples - Tribes' request for production and underpayment audits. Before I tell you about these examples let me make two points. First, lessees report production to BLM. But MMS collects the money. How does MMS know what the payment should be? Second, the Supreme Court and the Solicitor, Department of the Interior, have ruled that

Montana is not entitled to taxes on tribal royalty oil. The State and the companies are well aware of this. Apparently this is news to MMS. Third, royalties come off the top, not after the lessee deducts any of its costs.

Now, turning to the examples (Exhibits F-1, F-2). The Tribes cannot reconcile the reported production for one lease with the amount MMS said it collected. On the other four leases the Tribes found that for three years the companies used tribal royalties to pay over $130,000 for state taxes and unauthorized transportation costs. MMS made no objection.

By memorandum of December 14, 1987 (Ex. F-1), I asked the Indian Agency at Fort Peck to call for audits on five leases. I sent along the back-up data. (Ex. F-2.) The Fort Peck Indian Agency, on December 17, 1987, forwarded my request with the supporting data to the BIA Area Office, Billings. (Ex. F-3.) The Area Office forwarded the request to MMS. The Tribes heard nothing. The Tribes through their on line computer-hookup discovered that MMS had received the request but had done nothing with it -- had not even acknowledged it. (Ex. F-4.)

And that is how matters still stand. MMS disregards us. And please notice, this is where the Tribes, at their own expense, unearth an obvious deficiency. Imagine what goes on with the trust oil and gas of individual allottees where the

trustee reports to nobody and never has to account to the tribal or Indian owners -- unless a suit for an accounting is filed.

Exhibits G-1, G-2. Example - Audit request for improper deductions. The problem is a continuing one. I saw that the Bureau of Indian Affairs couldn't get any action out of MMS. So on the next round I tried writing to MMS direct instead of through the BIA.

By memorandum of May 18, 1988, I called on MMS to audit a number of tribal leases because the companies were improperly paying Montana taxes out of the Tribes' trust royalties and because MMS was incorrectly reporting sales and royalty figures. (Ex. G-1.) I sent along the data supporting my request. (Ex. G-2.)

I called attention to my prior request for an audit. I repeated the need to move promptly to recover the large amount of taxes improperly paid out of the tribal royalties and pointed out that the companies were continuing to pay taxes out of tribal royalties. (Ex. G-1.)

I called attention to erroneous sales and royalty figures on two leases that needed correction. (Ex. G-1.) The Tribes got no results. MMS continues to disregard us.

In conclusion, may I say that the primary thing wrong is that the trustee does not account and there is no compulsion on it to account. The Tribes and all other trust owners are kept in the dark. The Tribes do enough to know that our oil and gas is mismanaged. If we had clear, complete and regular reports covering all aspects of the management of our oil and gas, we would be in a better position to expose the deficiencies. As we see it, things never will be better until the law requires the Secretary to deliver a responsible accounting to every trust royalty owner.

Respectfully submitted,

Raymond White Tail Feather
Chairman
Assiniboine and Sioux Tribes
of the Fort Peck Reservation

Table of Exhibits

Exhibit No.		Page
A-1	Part 1: Detailed Lease Data.....	1
A-2	Part 2: Detailed Assessment Data by Lease...	2
A-3	Part 3: Summary of Products for Tribe.....	3
B	Financial Distribution Report for 12/22/87 thru 01/15/88.....	4
B-1	Financial Distribution Report for 01/15/88 thru 01/26/88.....	5
C	Indian Check Transaction Listing.....	6
D	Report of Sales and Royalty Remittance.....	7
E-1	Financial Distribution Report for 02/23/88 thru 03/16/88.....	8
E-2	Details of Trust Funds as of March 31, 1988..	9
E-3	Details of Trust Funds as of May 31, 1988....	10
F-1	Memorandum of December 14, 1987 from Chairman White Tail Feather to BIA, Fort Peck Agency..	16
F-2	Back up data in support of Memorandum of December 14, 1987.....	19
F-3	Memorandum of December 17, 1987 from Superintendent, Fort Peck Agency to Billings Area Director.....	34
F-4	Computer printout - State and Tribal Support System Desk Review/Audit Request Inquiry dated 3/22/88.....	35
G-1	Letter dated May 18, 1988 from Chairman White Tail Feather to MMS requesting an audit.....	39
G-2	Data in support of request for an audit	42

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

EXPLANATION OF PAYMENT DATA FURNISHED TO THE BIA
FOR THE ASSINIBOINE-SIOUX TRIBES
FOR 12/22/87 THRU 01/15/88

PART 1 : DETAILED LEASE DATA

LEASE	PR CD	PAYOR CODE	PAYOR NAME	SALES MO/YR	SALES QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT
823-004818-0	01	11633	AVALON ENERG	11/87	1,158.36	$ 17.54	.3750	$ 7,623.83	$ .00	$ .00	$ 7,623.83
823-004818-0	01	38583	MOBIL OIL CO	11/87	.00	$ .00	.0000	$ .00	$ .00	$ .00	$ .00
		TOTALS FOR PRODUCT 01:			1,158.36			$ 7,623.83	$ .00	$ .00	$ 7,623.83
		TOTALS FOR LEASE 823-004818-0 :						$ 7,623.83	$ .00	$ .00	$ 7,623.83
823-005600-0		39832	SUN PROD DIV	03/86	.00	$ .00	.0000	$ .00	$ 5.89	$ .00	$ 5.89
		TOTALS FOR PRODUCT :			.00			$ .00	$ 5.89	$ .00	$ 5.89
823-005600-0	01	39832	SUN PROD DIV	11/87	1,097.27	$ 18.02	.1666	$ 2,929.85	$ .00	$ .00	$ 2,929.85
		TOTALS FOR PRODUCT 01:			1,097.27			$ 2,929.85	$ .00	$ .00	$ 2,929.85
		TOTALS FOR LEASE 823-005600-0 :						$ 2,929.85	$ 5.89	$ .00	$ 2,935.74
823-005687-0	01	10630	AMERADA HESS	11/87	2,228.56	$ 17.24	.1666	$ 6,405.37	$ .00	$ .00	$ 6,405.37
		TOTALS FOR PRODUCT 01:			2,228.56			$ 6,405.37	$ .00	$ .00	$ 6,405.37
		TOTALS FOR LEASE 823-005687-0 :						$ 6,405.37	$ .00	$ .00	$ 6,405.37
823-005798-0	01	73755	UNION OIL	11/87	.00	$ .00	.0000	$ .00	$ .00	$ .00	$ .00
		TOTALS FOR PRODUCT 01:			.00			$ .00	$ .00	$ .00	$ .00
		TOTALS FOR LEASE 823-005798-0 :						$ .00	$ .00	$ .00	$ .00

Exhibit A-1
to
Raymond White Tail Feather
Statement of
July 12, 1988

ADD090R 333 0000007

REPORT ID: ADD090R
RUN DATE: 1/16/88
RUN TIME: 0:29:32

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

REPORT PAGE 7

EXPLANATION OF PAYMENT DATA FURNISHED TO THE BIA
FOR THE ASSINIBOINE-SIOUX TRIBES
FOR 12/22/87 THRU 01/15/88

PART 2: DETAILED ASSESSMENT DATA BY LEASE

LEASE	INTEREST	PENALTIES	NET AMOUNT
523-004579-0	$ 16.87	$ .00	$ 16.87
523-005600-0	$ 5.89	$ .00	$ 5.89
523-008267-0	$ 3.34	$ .00	$ 3.34
TOTAL FOR ASSINIBOINE-SIOUX TRIBES :			$ 26.10

Exhibit A-2
to
Raymond White Tail Feather
Statement of
July 12, 1988

ADD110R 233

REPORT ID: ADD110R
RUN DATE: 1/16/88
RUN TIME: 0:31:13

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

REPORT PAGE 0000019

EXPLANATION OF PAYMENT DATA FURNISHED TO THE BIA
FOR THE ASSINIBOINE-SIOUX TRIBES
FOR 12/22/87 THRU 01/15/88

PART 3 : SUMMARY OF PRODUCTS FOR TRIBE

PR CD	PRODUCT DESCRIPTION	SALES MO/YR	SALES QUANTITY	UNIT VALUE/ ROY. RATE	RENTS AND ROYALTIES	ALLOWANCES & ASSESSMENTS	NET AMOUNT
	< >	03/86	.00	$ .00 $ .0000	$ .00	$ .00	$ .00
01	OIL	08/87	.00	$ .00 $ .1250	$ 342.27	$ .00	$ 342.27
01	OIL	11/87	19,201.21	$ 17.09 $ .1801	$ 52,872.41	$ 39.50-	$ 52,832.91
	RENTS				$ .00		$ .00
	INTEREST					$ 28.10	$ 28.10
	PENALTIES					$ .00	$ .00
	TOTALS FOR ASSINIBOINE-SIOUX TRIBES				$ 52,914.68	$ 39.50- $ 28.10	$ 52,901.28

3

85

Exhibit A-3
to
Raymond White Tail Feather
Statement of
July 12, 1988

RUN SORT: AIN210R BIAFP
REPORT ID: AIN210R
RUN DATE: 01/15/88
RUN TIME: 22:29:08

233
UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

REPORT PAGE: 0000853
REPORT PAGE: 000853

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-FT PECK AGENCY OFFICE
FOR 12/22/87 THRU 01/15/88

DISTRIBUTEE: 7233 ASSINIBOINE-SIOUX TRIBES

PAYOR: 10630 AMERADA HESS CORP.

DOC ID: ROYL 00241741

LEASE NUM	PR CD	SALES MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
E23-005687-0	01	11/87	2,228.96	$ 17.25	.1667	$ 6,405.37	$ 0.00	$ 0.00	$ 6,405.37	$ 6,405.37
TOTALS FOR DOCUMENT: ROYL			00241741			$ 6,405.37	$ 0.00	$ 0.00		$ 6,405.37

********** PAYMENT REFERENCE INFORMATION FOR ROYL 00241741 **********

PAYMENT ID	RECEIPT DATE	AMOUNT
TFCS 00084613	12/31/87	$ 6,405.37
	PAYMENT REFERENCE TOTAL:	$ 6,405.37
	DISTRIBUTIONS FROM THIS REPORT:	6,405.37
	DISTRIBUTIONS FROM PREVIOUS REPORTS:	0.00
	AVAILABLE FOR FUTURE DISTRIBUTIONS:	0.00

TOTALS FOR PAYOR: AMERADA HESS CORP.

RENTS AND ROYALTIES:	$	6,405.37
ALLOWANCES:	$	0.00
ASSESSMENTS:		
FINES:	$	0.00
INTEREST:	$	0.00
PENALTIES	$	0.00
TOTAL ASSESSMENTS:	$	0.00
NET AMOUNT:	$	6,405.37

Exhibit B
to
Raymond White Tail Feather
Statement of
July 12, 1988

RUN SORT: AIN210R BIAFP
REPORT ID: AIN210R
RUN DATE: 01/26/88
RUN TIME: 22:06:36

233
UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

REPORT PAGE: 0000181
REPORT PAGE: 000181

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-FT PECK AGENCY OFFICE
FOR 01/15/88 THRU 01/26/88

DISTRIBUTEE: 7233 ASSINIBOINE-SIOUX TRIBES

PAYOR: 29210 MURPHY OIL CORP.

DOC ID: ROYL 00242813

LEASE NUM	PR CD	SALES MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
622-013088-0	00	02/88	0.00	$ 0.00	.0000	$ 298.08	$ 0.00	$ 0.00	$ 298.08	$ 298.08
TOTALS FOR DOCUMENT: ROYL					00242813	$ 298.08	$ 0.00	$ 0.00		$ 298.08

5

PAYMENT REFERENCE INFORMATION FOR ROYL 00242813

PAYMENT ID	RECEIPT DATE	AMOUNT
CHEK 00085890	01/11/88	$ 298.08

PAYMENT REFERENCE TOTAL:	$ 298.08
DISTRIBUTIONS FROM THIS REPORT:	298.08
DISTRIBUTIONS FROM PREVIOUS REPORTS:	0.00
AVAILABLE FOR FUTURE DISTRIBUTIONS:	0.00

TOTALS FOR PAYOR: MURPHY OIL CORP.

RENTS AND ROYALTIES:	$ 298.08
ALLOWANCES:	$ 0.00
ASSESSMENTS:	
FINES:	$ 0.00
INTEREST:	$ 0.00
PENALTIES	$ 0.00
TOTAL ASSESSMENTS:	$ 0.00
NET AMOUNT:	$ 298.08

Exhibit B-1
to
Raymond White Tail Feather
Statement of
July 12, 1988

REPOR. .D: AIN081R
RUN DATE: 1/24/88
RUN TIME: 6:39:34

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERAL MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
INDIAN CHECK TRANSACTION LISTING
FOR 1/22/88

REPORT RECIPIENT : 233 NAME:ASSINIBOINE-SIOUX TRIBES

DEPOSIT TICKET #	PAYMENT DOC ID	DOC DATE	ADJUSTMENT DOC ID	PAYOR CODE	PAYOR NAME	PAYOR CHECK NUMBER	CHECK AMOUNT
3737152960	CHEK 00084336	12/30/87		13917	BORDER FUEL SUPPLY	000000009067	$ 3,085.84
3737152960	CHEK 00084337	12/30/87		13917	BORDER FUEL SUPPLY	000000110993	$ 1,200.98
						TOTAL DEPOSIT TICKET:	$ 4,286.82
3749123087	TFCS 00084447	12/30/87		50430	TEXACO TRADING&TRANSPORTATION		$ 2,395.13
3749123087	TFCS 00084448		CASH 90084448	39832	SUN PRODUCTION DIVISION		$ 0.01-
3749123087	TFCS 00084448	12/30/87		39832	SUN PRODUCTION DIVISION		$ 8,080.80
						TOTAL DEPOSIT TICKET:	$ 10,475.92
3755123187	TFCS 00084613	12/31/87		10630	AMERADA HESS CORP.		$ 6,405.37
3755123187	TFCS 00084629	12/31/87		29210	MURPHY OIL CORP.		$ 13,789.85
						TOTAL DEPOSIT TICKET:	$ 20,195.22
3767152984	CHEK 00084911		CASH 00084911	11633	AVALON ENERGY	000000000337	$ 0.01
3767152984	CHEK 00084912	12/31/87		11633	AVALON ENERGY	000000000338	$ 17,549.63
						TOTAL DEPOSIT TICKET:	$ 17,549.64
3773123187	TFCS 00085080	12/31/87		44730	PHILLIPS PETROLEUM CO.		$ 4,654.40
						TOTAL DEPOSIT TICKET:	$ 4,654.40

Exhibit C
to
Raymond White Tail Feather
Statement of
July 12, 1988

RUN : AIN400R 10830
REPORT : AIN400R
RUN DATE: 01/24/88
RUN TIME: 07:58:42

233

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE - ROYALTY MANAGEMENT PROGRAM
REPORT OF SALES AND ROYALTY REMITTANCE
OIL AND GAS
FOR MONTH OF 12/87

ASSINIBOINE-SIOUX TRIBES

REPORT PAGE: 0000214
TRIBE REPORT PAGE: 000001

*** THIS IS AN INFORMATION REPORT ***
*** NOT TO BE PROCESSED BY MMS ***

REPORT MO/YR: 12/87
1. PAYOR'S NAME: AMERADA HESS CORP.
ADDRESS: P.O. BOX 2040

CITY/STATE: TULSA OK ZIP: 741020000
2. PAYOR CODE: 10830

3. MMS DOCUMENT NUMBER: 00241741

4. PAYOR-ASSIGNED DOCUMENT NUMBER: 87128

5. LN NUM	6. ORIG PG/LN	7. ACCOUNTING IDENTIFICATION (AID) NUMBER	8. PC	9. RP CD	10. SEL ARR	11. SALES MO/YR	12. TR CD	13. ADJ REA CD	14. SALES QTY	15. QUAL MEAS	16. CALC METH	17. SALES VALUE	18. ROYALTY QTY	19. ROYALTY VALUE	20. PMT MTH
01	000102	623-005887-0-001	01	00	001	11/87	01	00	2228.66	0046	00	38432.23	371.43	6406.37	03

7

89

Exhibit D
to
Raymond White Tail Feather
Statement of
July 12, 1988

RUN SORT: AIN210R BIAFP
REPORT ID: AIN210R
RUN DATE: 03/16/88
RUN TIME: 21:10:15

233

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-FT PECK AGENCY OFFICE
FOR 02/23/88 THRU 03/16/88

REPORT PAGE: 0000708
REPORT PAGE: 000708

DISTRIBUTEE: 7233 ASSINIBOINE-SIOUX TRIBES

PAYOR: 10830 AMERADA HESS CORP.

DOC ID: ROYL 00247319

LEASE NUM	PR SALES CD MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
823-005687-0	01 01/88	1,759.06	$ 15.48	.1667	$ 4,538.54	$ 0.00	$ 0.00	$ 4,538.54	$ 4,538.54
TOTALS FOR DOCUMENT: ROYL		00247319			$ 4,538.54	$ 0.00	$ 0.00		$ 4,538.54

********** PAYMENT REFERENCE INFORMATION FOR ROYL 00247319 **********

PAYMENT ID	RECEIPT DATE	AMOUNT
TFCS 00001218	02/29/88	$ 4,538.54

PAYMENT REFERENCE TOTAL:	$ 4,538.54
DISTRIBUTIONS FROM THIS REPORT:	4,538.54
DISTRIBUTIONS FROM PREVIOUS REPORTS:	0.00
AVAILABLE FOR FUTURE DISTRIBUTIONS:	0.00

TOTALS FOR PAYOR: AMERADA HESS CORP.

RENTS AND ROYALTIES:	$	4,538.54
ALLOWANCES:	$	0.00
ASSESSMENTS:		
FINES:	$	0.00
INTEREST:	$	0.00
PENALTIES	$	0.00
TOTAL ASSESSMENTS:	$	0.00
NET AMOUNT:	$	4,538.54

Exhibit D-1
to
Raymond White Tail Feather
Statement of
July 12, 1988

90

DETAIL OF TRUST FUNDS
AS OF MAR 31 1988

PAGE 8

C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

TION 7233
INDIANS, MONTANA

9743 = Royalties
9746 ~ Royalties Other

DATE	DOCUMENT	ACCT		AMOUNT
02-23-88	CT02C0340	9711	$	15,958.30
02-23-88	CT02C0340	9720	$	24.14
02-23-88	CT02C0340	9746	$	37,696.63
02-23-88	CT02C0340	9743	$	4,387.66
02-23-88	CT02C0340	9769	$	96,336.04
02-25-88	AW02T0064	9703	$	1,990.45CR
02-25-88	CT02C0350	9715	$	9,639.21
02-25-88	CT02C0350	9713	$	1,390.71
02-25-88	CT02C0350	9752	$	1,685.34
02-25-88	MM03Z0690	9743	$	200.00
02-26-88	CT02C0407	9713	$	1,311.90
02-26-88	CT02C0407	9715	$	5,439.19
02-26-88	CT02C0407	9711	$	50.00
02-26-88	CT02C0407	9720	$	24.63
02-26-88	MM03Z0704	9743	$	2,478.05
02-29-88	MM03Z0709	9743	$	13,315.74
02-29-88	MM03Z0710	9743	$	13,466.12
02-29-88	MM03Z0714	9743	$	8,235.30
02-29-88	MM03Z0779	9743	$	.01CR
02-29-88	MM03Z0789	9743	$	.01
02-29-88	MM03Z0790	9743	$	10,709.15
03-01-88	AW03T0033	9703	$	137,897.71
03-01-88	MM03Z0719	9743	$	3,936.21
03-02-88	CT03C0425	9715	$	80.00
03-02-88	CT03C0425	9717	$	3,879.60
03-02-88	CT03C0425	9711	$	304.46
03-02-88	CT03C0425	9720	$	360.69
03-03-88	BB03C0281	9713	$	580.00
03-03-88	BB03C0281	9752	$	158.00
03-03-88	CT03C0429	9713	$	1,518.40
03-03-88	CT03C0429	9717	$	800.00
03-03-88	CT03C0429	9715	$	6,917.40
03-03-88	MM03Z0725	9743	$	300.00
03-04-88	AW03T0069	9703	$	385.61CR
03-04-88	BB03C0262	9752	$	148.00
03-04-88	MM03Z0732	9743	$	.07
03-07-88	CT03C0446	9713	$	80.00
03-08-88	CT03C0454	9713	$	960.00
03-08-88	CT03C0454	9717	$	800.00

MM — 60
MMS Transaction

*E1.

9

Exhibit E-2
to
Raymond White Tail Feather
Statement of
July 12, 1988

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

PAGE 8

LOCATION: 556 206 FORT PECK AGENCY FORT PECK IND, MONTANA

APPROPRIATION 7233
FORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT.		AMOUNT
02-23-88	CT02C0340	9720	$	24.14
02-23-88	CT02C0340	9746	$	37,696.43
02-23-88	CT02C0340	9743	$	4,387.66
02-23-88	CT02C0340	9769	$	96,336.04
02-25-88	AW02T0064	9703	$	1,990.45CR
02-25-88	CT02C0330	9713	$	1,390.71
02-25-88	CT02C0350	9715	$	9,639.21
02-25-88	CT02C0350	9752	$	1,683.34
02-25-88	MM03Z0690	9743	$	200.00
02-26-88	CT02C0407	9715	$	52,439.14
02-26-88	CT02C0407	9713	$	1,311.90
02-26-88	CT02C0407	9711	$	50.00
02-26-88	CT02C0407	9720	$	29.43
02-26-88	MM03Z0704	9743	$	2,478.03
02-29-88	MM03Z0709	9743	$	13,815.74
02-29-88	MM03Z0710	9743	$	13,466.12
02-29-88	MM03Z0714	9743	$	8,233.30
02-29-88	MM03Z0729	9743	$	.01CR
02-29-88	MM03Z0789	9743	$	.01
02-29-88	MM03Z0790	9743	$	10,709.15
03-01-88	AW03T0033	9703	$	137,897.71
03-01-88	MM03Z0719	9743	$	3,936.21
03-02-88	CT03C0425	9711	$	304.46
03-02-88	CT03C0425	9717	$	3,879.60
03-02-88	CT03C0425	9715	$	80.00
03-02-88	CT03C0425	9720	$	360.69
03-03-88	BB03C0281	9713	$	580.00
03-03-88	BB03C0281	9752	$	138.00
03-03-88	CT03C0429	9715	$	6,917.40
03-03-88	CT03C0429	9717	$	800.00
03-03-88	CT03C0429	9713	$	1,518.40
03-03-88	MM03Z0725	9743	$	300.00
03-03-88	MM04Z0826	9743	$	300.00CR
03-04-88	AW03T0068	9703	$	385.61CR
03-04-88	BB03C0262	9752	$	148.00
03-04-88	MM03Z0732	9743	$	.07
03-07-88	CT03C0446	9713	$	80.00
03-08-88	CT03C0454	9713	$	960.00
03-08-88	CT03C0454	9717	$	800.00
03-08-88	CT03C0454	9711	$	15,958.80
03-08-88	CT03C0454	9752	$	656.29
03-08-88	CT03C0454	9769	$	53,357.22
03-09-88	CT03C0460	9717	$	100.00

(10)

Exhibit D-3
to
Raymond White Tail Feather
Statement of
July 12, 1988

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

OCATION: C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

PPROPRIATION 7233
ORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT		AMOUNT
03-09-88	CT03C0460	9713	$	40.00
03-09-88	MM03Z0749	9743	$	400.00.
03-09-88	MM04Z0881	9743	$	175.00
03-11-88	CT03C0471	9713	$	46.42
03-11-88	CT03C0471	9715	$	93.34
03-11-88	CT03C0471	9746	$	28,390.59
03-11-88	DT03C4127	9715	$	923.44CR
03-14-88	CT03C0476	9713	$	725.86
03-14-88	CT03C0476	9715	$	4,365.60
03-14-88	CT03C0476	9711	$	1,749.37
03-14-88	CT03C0476	9752	$	1,432.32
03-14-88	MM03Z0785	9743	$	.32
03-14-88	MM04Z0869	9743	$	.73
03-14-88	MM04Z0892	9743	$	.73CR
03-15-88	BB03C0340	9718	$	3,364.44
03-15-88	MM03Z0792	9743	$	575.00
03-16-88	BB03C0337	9715	$	165.11
03-16-88	BB03C0337	9752	$	5,663.70
03-16-88	BB03C0376	9752	$	6,547.00
03-16-88	CT03C0489	9711	$	400.00
03-16-88	CT03C0489	9713	$	1,992.51
03-16-88	CT03C0489	9720	$	25.00
03-16-88	CT03C0489	9752	$	372.72
03-17-88	CT03C0495	9713	$	2,700.68
03-17-88	CT03C0495	9715	$	304.00
03-17-88	CT03C0495	9720	$	173.24
03-17-88	CT03C0495	9752	$	324.65
03-18-88	CT03C4953	9715	$	195.87
03-18-88	CT03C4953	9713	$	188.96
03-18-88	CT03C4953	9720	$	12.00
03-18-88	MM03Z0804	9743	$	96.80
03-18-88	MM04Z0828	9743	$	522.60
03-18-88	MM04Z0903	9743	$	72.60CR
03-22-88	CT03C4967	9717	$	11,610.60
03-22-88	CT03C4967	9720	$	97.89
03-23-88	BB03C0384	9752	$	774.48
03-23-88	BB03C0385	9718	$	42,495.83
03-23-88	BB03C0387	9752	$	1,301.29
03-23-88	CT03C4972	9717	$	56.15
03-23-88	CT03C4972	9713	$	4,526.25
03-23-88	CT03C4972	9715	$	1,604.43
03-23-88	CT03C4972	9720	$	38.00
03-23-88	CT03C4972	9752	$	61.80

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

LOCATION* C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

APPROPRIATION 7233
FORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT		AMOUNT
03-24-88	CT03C4980	9711	$	15,958.80
03-25-88	BB03C00388	9742	$	2,965.11
03-25-88	BB03C00391	9717	$	500.70
03-25-88	BB03C0338	9752	$	709.27CR
03-25-88	BB03C0373	9713	$	960.00CR
03-25-88	CT03C4989	9715	$	1,019.52
03-25-88	CT03C4989	9713	$	1,949.08
03-28-88	MM04Z0834	9743	$	2,605.21
03-30-88	CT03C5207	9713	$	1,915.61
03-30-88	CT03C5207	9715	$	7,292.94
03-30-88	MM04Z0843	9743	$	17,883.74
03-30-88	MM04Z0846	9743	$	6,348.66
03-30-88	MM04Z0885	9743	$	.01
03-31-88	CT03C5214	9715	$	484.00
03-31-88	CT03C5214	9713	$	954.09
03-31-88	CT03C5214	9779	$	288.00
03-31-88	MM04Z0850	9743	$	17,206.37
03-31-88	MM04Z0859	9743	$	3,399.09
04-04-88	BB04C0410	9715	$	280.00
04-04-88	BB04C0410	9752	$	10,472.91
04-04-88	MM04Z0878	9743	$	.73
04-05-88	CT04C5230	9713	$	654.24
04-05-88	CT04C5230	9715	$	100.00
04-06-88	CT04C5234	9713	$	1,859.55
04-06-88	CT04C5234	9720	$	100.00
04-07-88	AW04T0042	9703	$	3,954.44
04-07-88	CT04C5239	9713	$	1,030.70
04-07-88	CT04C5239	9715	$	2,488.41
04-07-88	CT04C5239	9746	$	28,916.83
04-07-88	CT04C5239	9752	$	80.00
04-08-88	CT04C5248	9715	$	12,392.83
04-08-88	CT04C5248	9713	$	608.41
04-11-88	CT04C5355	9715	$	3,789.50
04-11-88	CT04C5355	9713	$	44.00
04-11-88	CT04C5355	9717	$	6,881.00
04-11-88	MM04Z0911	9743	$	200.00
04-12-88	BB04C0395	9717	$	5,600.10
04-12-88	BB04C0395	9742	$	40,766.03
04-12-88	BB04C0428	9713	$	18.08
04-12-88	BB04C0437	9752	$	250.00
04-12-88	BB04C0440	9718	$	11,386.23
04-12-88	BB04C0446	9713	$	8.63
04-12-88	BB04C0448	9752	$	3,315.31

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

LOCATION: C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

APPROPRIATION 7233
FORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT		AMOUNT
04-13-88	CT04C5371	9717	$	393.05
04-13-88	CT04C5371	9713	$	1,376.26
04-13-88	CT04C5371	9715	$	4,968.96
04-13-88	CT04C5371	9720	$	36.58
04-13-88	CT04C5371	9752	$	296.00
04-13-88	MM04Z0932	9743	$	200.00
04-14-88	CT04C5377	9715	$	3,360.00
04-14-88	CT04C5377	9713	$	90.00
04-14-88	CT04C5377	9720	$	48.00
04-14-88	CT04C5377	9752	$	476.67
04-15-88	BB04C00457	9715	$	1,750.00
04-15-88	BB04C00457	9752	$	10,786.42
04-15-88	BB04C0454	9718	$	3,429.97
04-15-88	CT04C5383	9713	$	33.60
04-15-88	CT04C5383	9715	$	1,089.60
04-15-88	CT04C5383	9752	$	780.00
04-15-88	MM04Z0924	9743	$	.02
04-18-88	CT04C5389	9715	$	2,560.00
04-18-88	CT04C5389	9713	$	1,163.99
04-19-88	BB04C00479	9715	$	507.32
04-19-88	BB04C00479	9752	$	6,626.07
04-19-88	BB04C00480	9715	$	618.95
04-19-88	BB04C00480	9713	$	281.92
04-19-88	BB04C00480	9752	$	81.44
04-19-88	BB04C0478	9742	$	69,577.22
04-20-88	CT04C4802	9717	$	1,844.43
04-20-88	CT04C4802	9713	$	247.53
04-20-88	CT04C4802	9715	$	4,039.06
04-20-88	CT04C4802	9720	$	100.30
04-21-88	AW04T0046	9703	$	7,192.27
04-21-88	BB04C00481	9752	$	7,484.32
04-21-88	BB04C0482	9717	$	3,532.06
04-21-88	BB04C0482	9742	$	9,144.33
04-21-88	BB04C0482	9779	$	30,657.83
04-22-88	BB04C0483	9779	$	13,942.42
04-25-88	CT04C4817	9715	$	15,025.42
04-25-88	CT04C4817	9713	$	8,750.10
04-25-88	CT04C4817	9720	$	36.60
04-25-88	CT04C4817	9752	$	11,209.86
04-25-88	MM04Z0940	9743	$	.01CR
04-26-88	CT04C4822	9713	$	8,923.27
04-26-88	CT04C4822	9715	$	640.00
04-26-88	CT04C4822	9720	$	30.00

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

LOCATION* C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

APPROPRIATION 7233
FORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT		AMOUNT
04-27-88	CT04C4831	9715	$	544.00
04-27-88	CT04C4831	9713	$	10,787.32
04-27-88	CT04C4831	9720	$	12.30
04-27-88	CT04C4831	9743	$	3,806.95
04-28-88	AW04T0047	9703	$	8,808.69
04-28-88	AW04T0122	9703	$	329.20CR
04-28-88	CT04C4836	9713	$	20,389.11
04-28-88	CT04C4836	9711	$	15,958.80
04-28-88	CT04C4836	9720	$	24.81
04-28-88	MM05Z0975	9743	$	1,606.05
04-29-88	CT04C4843	9713	$	7,706.37
05-02-88	MM05Z0992	9743	$	17,968.77
05-03-88	BB05C0488	9713	$	711.75
05-03-88	BB05C0488	9715	$	2,938.25
05-03-88	BB05C0490	9715	$	13,214.44
05-03-88	BB05C0490	9713	$	316.00
05-03-88	BB05C0494	9713	$	174.00
05-03-88	BB05C0494	9715	$	6,794.20
05-03-88	BB05C0494	9752	$	7,389.11
05-03-88	BB05C0496	9752	$	1,370.00
05-03-88	BB05C0508	9752	$	1,686.00
05-03-88	BB05C0509	9715	$	2,076.00
05-03-88	BB05C0509	9713	$	607.56
05-03-88	BB05C0510	9779	$	7,707.19
05-03-88	BB07C0510	9779	$	7,707.19
05-03-88	CT05C5707	9715	$	311.00
05-03-88	CT05C5707	9713	$	20,605.09
05-03-88	MM05Z0993	9743	$	19,773.97
05-03-88	MM05Z0998	9743	$	4,789.11
05-04-88	AW05T0123	9703	$	1,453.64CR
05-04-88	AW05T0124	9703	$	1,454.75CR
05-04-88	CT05C5712	9713	$	70,453.05
05-04-88	MM05Z1006	9743	$	3,650.02
05-05-88	CT05C5722	9713	$	27,657.87
05-05-88	CT05C5722	9720	$	185.59
05-09-88	BB05C0529	9715	$	2,398.86CR
05-09-88	CT05C5731	9713	$	6,820.77
05-10-88	DT05C4132	9720	$	24.60CR
05-11-88	BB05C0533	9715	$	5,010.00
05-11-88	BB05C0533	9713	$	158.00
05-11-88	BB05C0533	9752	$	1,863.00
05-11-88	BB05C0534	9752	$	831.82
05-11-88	CT05C5742	9713	$	1,036.20

DETAIL OF TRUST FUNDS
AS OF MAY 31 1988

LOCATION* C56 206 FORT PECK AGENCY FORT PECK IND.MONTANA

APPROPRIATION 7233
FORT PECK INDIANS, MONTANA

DATE	DOCUMENT	ACCT		AMOUNT
05-11-88	CT05C5742	9711	$	12.32
05-11-88	CT05C5742	9717	$	1,800.00
05-11-88	CT05C5742	9720	$	50.00
05-11-88	CT05C5742	9746	$	22,836.89
05-11-88	CT05C5742	9769	$	29,760.37
05-11-88	DT05C4134	9713	$	11,755.90CR
05-12-88	CT05C5748	9713	$	3,189.40
05-12-88	MM05Z1036	9743	$	550.00
05-13-88	CT05C1204	9713	$	183.45
05-13-88	CT05C1204	9769	$	13,905.03
05-13-88	MM05Z1041	9743	$	.01
05-16-88	CT05C1213	9713	$	20,770.28
05-17-88	BB05C0553	9752	$	1,689.64
05-17-88	CT05C1219	9720	$	22.00
05-18-88	CT05C1226	9713	$	11,755.90
05-18-88	CT05C1226	9717	$	800.00
05-18-88	CT05C1226	9769	$	82,671.76
05-19-88	BB05C0566	9752	$	8,086.50
05-19-88	BB05C0591	9713	$	200.06CR
05-19-88	BB05C0591	9715	$	853.32CR
05-23-88	CT05C1243	9713	$	1,325.64
05-23-88	CT05C1243	9715	$	720.00
05-25-88	CT05C0802	9717	$	1,601.50
05-25-88	CT05C0802	9715	$	365.47
05-25-88	CT05C0802	9713	$	3,820.62
05-25-88	CT05C0802	9711	$	200.00
05-25-88	CT05C0802	9720	$	12.34
05-25-88	CT05C0802	9743	$	7,663.65
05-26-88	AW05T0051	9703	$	475.51
05-26-88	CT05C0811	9711	$	15,958.80
05-26-88	CT05C0811	9713	$	144.65
05-26-88	CT05C0811	9720	$	51.00
05-27-88	CT05C0819	9713	$	360.00
05-27-88	CT05C0819	9715	$	40.00
05-27-88	CT05C0819	9720	$	12.00
05-31-88	CT05C0826	9711	$	1,500.00
TOTAL-RECEIPTS			$	3,314,784.75

ACCT	TITLE		AMOUNT
97[illegible]	INT.ERNINGS ON TIME DEPOSITS - BUREAU	$	192,869.04
97[illegible]	BUSINESS	$	134,642.75

FORT PECK TRIBAL EXECUTIVE BOARD

P.O. Box 1027 Poplar, MT 59255

December 14, 1987

Memorandum

To : Bureau of Indian Affairs, Fort Peck Agency

From : Assiniboine & Sioux Tribes, Fort Peck Reservation

Subject: Oil Royalty Audit of Leases (5230045790, 5230045920, 5230045950, 5230045960, 5230046160)

Reason for audit requests:

5230045790

This lease contains three oil wells:

1. Tribal 1
2. Tribal 2
3. Tribal 14-32

A comparison of reported production on BLM Form 2014 with reported sales volume on MMS Report SRH100BR reveals a difference of 14,367 barrels to the Tribes' disadvantage. See Table 1.

Estimated loss to the Tribes of $36,274 for FY 86. Problem begins in January of 1986 when Tribal 14-32 oil sales began. This well is operated by C. Lee Mueller. The other two wells are operated by Sun Oil. Mueller also operates two wells in an adjacent lease (#5230045780), which is being audited at the request of the Allotted mineral owners. Production-sales comparison for that lease shows an inverse relationship. Reported production is less than sales. Mr. Mueller is probably reporting production on Lease #5230045790 and sales on Lease #5230045780 for the Sun Tribal 14-32.

Audit Lease #5230045790 from sales for January 1986 to the present.

(16)

Assiniboine & Sioux Tribes

Exhibit F-1
to
Raymond White Tail Feather
Statement of
July 12, 1988

Memorandum to BIA, Fort Peck Agency
December 14, 1987
Page 2

5230045920

This lease, as well as the following three leases, is now operated by Avalon Energy. The original operator was Superior Oil. An interim operator from January 1, 1985 to August 4, 1987 was Mobil Oil. Mobil Oil appears to have removed State taxes from the Tribes' and Allotted owners' royalty. In some months, transportation was also removed. Through sales month May 1987, $15,297.09 was deducted from the Indian royalties for state and/or county taxes. Transportation deductions were $471.07. See Table 2.

Audit from January 1985 to July 1987 (sales).

5230045950

See comments above.

Tax deduction: $45,056.84 1/85-5/87
Transportation deduction: $4,842.60 1/85-5/87
See Table 3.

Audit from January 1985 to July 1987 (sales).

5230045960

See comments above.

Tax deduction: $32,503.06 1/85-5/87
Transportation deduction: $1,450.20 1/85-5/87
See Table 4.

Audit from January 1985 to July 1987 (sales).

5230046160

See comments above.

Tax deduction: $21,065.03 1/85-5/87
Transportation deduction: $2,847.25 1/85-5/87
See Table 5.

Audit from January 1985 to July 1987 (sales).

Memorandum to BIA, Fort Peck Agency
December 14, 1987
Page 3

Summary

This audit request concerns five leases that have Tribal royalty interest for the Assiniboine and Sioux Tribes of the Fort Peck Reservation. The first lease is probably having sales reported through an adjacent lease by an operator inexperienced with Indian leases. The other four leases have had taxes and transportation incorrectly removed from Indian royalties (both Tribal and Allotted interests in two of the leases). This operator, Mobil Oil, should know how to properly account for Indian leases.

The Tribes may not have lost any money on Lease 5230045790, but the operator is not correctly reporting the sales and production. Mobil Oil removed at least $113,921.93 in taxes and $9,611.12 in transportation charges from Indian oil royalties. This does not include the last two months that Mobil operated the wells.

Please attend to this audit as quickly as possible and inform the Tribes as to the audit progress at regular intervals.

Raymond White Tail Feather

Raymond White Tail Feather
Chairman
Assiniboine & Sioux Tribes

Lawrence D. Wetsit

Lawrence D. Wetsit, Director
Tribal Minerals & Tax Administration

Lawrence M. Monson

Lawrence M. Monson, Geologist
Tribal Minerals & Tax Administration

Attachments

LMM

TABLE 1: FY86 ROYALTY ANALYSES, WILDER AND SMS TRIBAL LEASES

AND DETAILED ROYALTY DISPUTE ANALYSES

	LEASE #	WELL NAME	PRODUCTION MONTH	BBL	EST. VALUE DOLLARS F=E*P	EST. TRIBAL ROYALTY DOLLARS G=F*ROYALTY	SALES MONTH	SALES QUANTITY BARRELS	SALES VALUE DOLLARS	ROYALTY QUANTITY BARRELS	NET ROYALTY VALUE DOLLARS	CALCULATED FROM QUANTITY H=E/I	ROYALTY FROM VALUE K=L/J	SALES PRICE $/BBL. M=J/I	ROYALTY PRICE $/BBL. P=L/K	EXPECTED TRIBAL ROYALTY VALUE DOLLARS Q=P*ROYALTY	DIFFERENCE BETWEEN EXPECTED AND ESTIMATED R=Q-G
10	SEC.31,T10-R4E	5230045700 WILDER 1, ARB 2	8510	8841	107994.78	7834.19	8509	8639.58	93098.86	1136.44	11257.11	.12500	.12500	23.57	23.57	7889.58	($29.91)
11		5230045700 WILDER 1, ARB 2	8511	9363	233385.64	9222.95	8511	13625.91	314664.72	1520.23	19533.89	.12500	.12500	24.92	24.92	9833.27	$110.34
12		5230045700 WILDER 1, ARB 2	8512	9779	244602.49	10275.56	8512	17953.13	336654.39	1619.13	40832.78	.12500	.12500	25.22	25.22	10297.95	($167.61)
13	WILDER 1	5230045700 WILDER 1, ARB 2	8601	9703	225895.61	9539.17	8601	13851.44	295439.36	1606.42	34962.17	.12500	.12500	23.01	23.01	9748.54	($138.63)
14		5230045700 WILDER 1, ARB 2	8602	8385	125700.84	5305.40	8602	11120.65	176430.63	1292.32	21453.83	.12500	.12500	15.41	15.41	5363.46	($20.02)
15		5230045700 WILDER 1, ARB 2	8603	8321	92344.45	3847.76	8603	11054.89	127123.60	1431.86	15890.45	.12500	.12500	11.10	11.10	3972.61	$124.85
16	WILDER 2	5230045700 WILDER 1, ARB 2	8604	6995	72027.34	3001.20	8604	13112.15	135805.60	1486.06	15468.04	.11333	.11456	10.30	10.41	2867.01	$665.01
17		5230045700 WILDER 1, ARB 2	8605	5623	63775.44	2657.04	8605	12753.49	144648.66	1405.79	15935.41	.11023	.11013	11.34	11.32	3970.85	$1,313.81
18		5230045700 WILDER 1, ARB 2	8606	4800	55249.37	2302.52	8606	11058.65	120904.58	1225.11	14079.63	.10806	.11080	11.49	11.49	3519.91	$1,217.39
19		5230045700 WILDER 1, ARB 2	8607	4217	40081.20	1700.39	8607	10234.45	98708.28	1139.45	10990.65	.11133	.11135	9.65	9.65	2749.64	$1,049.22
20		5230045700 WILDER 1, ARB 2	8608	3931	42581.32	1774.58	8608	7041.62	76276.13	754.11	8179.77	.10709	.10774	10.83	10.85	2044.94	$270.37
21		5230045700 WILDER 1, ARB 2	8609	3415	42550.16	1763.70	8609	4709.53	56404.60	598.34	7007.70	.12708	.12500	11.70	11.70	1751.93	($11.35)
22			FY86	82671	1431284.62	59439.60	FY86	138457.98	1923442.86	15925.66	197257.43	.11936	.12126	16.25	16.53	60320.26	$9,097.67
23																	
24	SEC.32,R8R-44E	5230045790 SMS TRIBAL 1,2,14-32	8510	3166	74000.88	12347.05	8510	3193.42	74729.40	532.24	12453.73	.16667	.16667	23.40	23.40	12453.73	$106.68
25		5230045790 SMS TRIBAL 1,2,14-32	8511	4540	115836.64	18756.81	8511	5239.68	86797.87	539.95	13466.30	.16667	.16667	24.94	24.94	13466.30	($5,290.63)
26	SMS TRIBAL 1	5230045790 SMS TRIBAL 1,2,14-32	8512	3257	87347.68	13720.22	8512	3236.12	81586.70	537.69	13597.79	.16667	.16667	25.29	25.29	13597.79	($130.43)
27		5230045790 SMS TRIBAL 1,2,14-32	8601	5569	127840.87	19380.18	8601	2995.09	68867.79	499.32	11477.97	.16667	.16667	22.99	22.99	11477.97	($9,824.13)
28	SMS WILDER 2	5230045790 SMS TRIBAL 1,2,14-32	8602	4847	73567.45	12268.82	8602	2296.36	30357.80	302.73	4858.68	.16667	.16667	15.85	15.85	4858.68	($6,202.14)
29		5230045790 SMS TRIBAL 1,2,14-32	8603	4550	50149.32	8525.06	8603	3106.76	35761.43	531.13	5960.20	.16667	.16667	11.22	11.22	5960.20	($2,564.82)
30	TRIBAL 14-32	5230045790 SMS TRIBAL 1,2,14-32	8604	4069	41856.53	4976.23	8604	2755.45	28344.51	450.28	4724.42	.16667	.16667	10.29	10.29	4724.42	($2,251.81)
31		5230045790 SMS TRIBAL 1,2,14-32	8605	3001	42050.28	7148.52	8605	2256.67	25464.13	345.11	4244.85	.16667	.16667	11.28	11.28	4244.85	($2,904.69)
32		5230045790 SMS TRIBAL 1,2,14-32	8606	3562	40625.95	6749.46	8606	2385.65	26790.32	384.28	4381.72	.16667	.16667	11.40	11.40	4381.72	($2,367.74)
33		5230045790 SMS TRIBAL 1,2,14-32	8607	3446	33899.89	5636.76	8607	2511.91	26565.05	408.65	4694.10	.16667	.16667	9.70	9.70	4694.10	($1,527.58)
34		5230045790 SMS TRIBAL 1,2,14-32	8608	3392	36745.35	6129.35	8608	2548.50	27202.77	439.75	4547.13	.16667	.16667	10.85	10.85	4547.13	($1,577.22)
35		5230045790 SMS TRIBAL 1,2,14-32	8609	3283	37662.22	6277.16	8609	2517.74	27752.96	386.29	4542.17	.16667	.16667	11.76	11.76	4542.17	($1,708.99)
36			FY86	47171	754938.13	125822.56	FY86	32084.35	337709.24	5467.42	89540.26	.16667	.16667	16.38	16.38	89540.26	($36,274.30)

Exhibit F-2
to
Raymond White Tail Feather
Statement of
July 12, 1988

Data in Support
of F-1

SUMMARY COMMENTS FOR PALOMINO ROYALTY/TAX ANALYSIS:

1. Tax and transportation deductions form Tribal and allotted royalties did not begin until January of 1985, when Mobil Oil was the operator.

2. The tax deduction for November of 1985 is suspiciously high for all four wells and may be incorrect data in the MMS system.

3. Note the relatively higer tax rate which began in January of 1986 for all four wells.

4. Also note that the apparent tax rate is almost twice as high in the two wells with shared tribal and allotted interest.

5. The data on the tables is entirely from the MMS Detailed Royalty History Analysis. The strange entries for the early months for the two wells in existence before the current MMS accounting system was initiated, must represent some corrections to the previous accounting system. Those values distort the totals for these two wells.

Mobil Oil Corporation

Rec'd 2-6-85
O+G

P.O. BOX 5444
DENVER, COLORADO 80217

January 18, 1985

U. S. Department of Interior
Bureau of Land Management
P.O. Box 940
Miles City, Montana 59301

RE: NOTICES TO SUPERIOR OIL COMPANY

Gentlemen:

As a result of the merger which became effective on September 28, 1984, The Superior Oil Companies ("Superior") is now a wholly owned subsidiary of Mobil Corporation.

Effective January 1, 1985, Mobil Oil Corporation began acting on behalf of The Superior Oil Companies as service contractor, for the purpose of performing comprehensive business management and related administrative services. To this end, Superior has entered into a Services Agreement with Mobil and has issued Powers of Attorney to certain Mobil employees, whereby Mobil has agreed to perform all of Superior's obligations and duties, and shall be entitled to enforce all of Superior's rights and privileges, including but not limited to all applicable Operating Agreements and leases (see attached). This shall include, without limitation, the making and receiving of payments, the giving and receiving of notices and other information, and the performance of all other related functions. Therefore, after December 31, 1984, notices to Superior or relative to its interests, assets or obligations should designate Mobil and be mailed to:

Mobil Oil Corporation
P.O. Box 5444
Denver, Colorado 80217-5444
Attention: D. C. Forbes

Enclosed is a list of all Superior wells and their locations within the Miles City district.

We appreciate your consideration and cooperation. If you have any questions, please direct them to the undersigned.

Very truly yours,

for D. C. Forbes
Environmental & Regulatory Manager - East

Enclosure

RECEIVED
FEB 15 1985

TABLE 1: Palomino Oil Field Well Summary

	Well Name	Lease Number	Location	Completion Date	Operator
1.	Tribal Bird 1-7	14-20-0256-4595	SW¼NE¼, 7-29-49	8/11/80	Avalon Energy*
2.	Tribal Bear 2-5	14-20-0256-4616	N½SE¼SE¼, 5-29-49	10/8/82	Avalon Energy*
3.	Tribal 7-41	14-20-0256-4592	NW¼NE¼NE¼, 7-29-49	12/23/83	Avalon Energy*
4.	Tribal 8-12	14-20-0256-4596	NW¼SW¼NW¼, 8-29-49	3/23/84	Avalon Energy*
5.	Trust 1-8	14-20-0256-4109	NE¼NE¼NE¼, 8-29-49	1/6/82	Canterra Petroleum, Inc.

* 1) Superior - initial operator, 2) Mobil - 9/28/84, 3) Avalon - 8/4/87.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	[illegible]						DATE: [illegible]		[illegible]											
2																				
3	[illegible]	TERRAC LEASE #	SALES DATE	SALES QUANTITY BARRELS	SALES PRICE $ / BBL (-/B)	SALES VALUE	ROYALTY QUANTITY BARRELS	ROYALTY VALUE	ROYALTY RATE QUANTITY 1:6/B	ROYALTY RATE VALUE 2:6/B	TAX DEDUCTION	TRANSPORTATION DEDUCTION	NET ROYALTY B:0-6/B	NET ROYALTY D:6/B	TAX RATE 0:6/B					
4																				
5																				
6																				
7																				
8	[illegible]	52304592	0401	133.47	29.01	$3,930.05	22.50	$655.01	.16668	.16667			$655.01	.16667	0.001			INITIAL OPERATING. SUPPORTS 0.01		
9	[illegible]	52304592	0402	1031.17	29.34	$33,305.03	180.50	$5,530.00	.16667	.16667			$5,530.04	.16667	0.001					
10	[illegible]	52304592	0403	416.95	29.15	$17,904.06	107.82	$2,997.24	.16666	.16667			$2,997.24	.16667	0.001					
11	[illegible]	52304592	0404	320.50	29.01	$15,350.55	87.00	$2,526.50	.16666	.16667			$2,526.50	.16667	0.001					
12	[illegible]	52304592	0405	543.14	30.34	$15,540.00	90.52	$2,601.00	.16666	.16667			$2,601.02	.16667	0.001					
13	[illegible]	52304592	0406	848.13	28.01	$23,309.00	140.00	$4,834.85	.16666	.16667			$4,834.85	.16667	0.001					
14	[illegible]	52304592	0407	835.82	28.02	$23,861.61	139.17	$4,840.29	.16667	.16667			$4,810.27	.16667	0.001					
15	[illegible]	52304592	0408	879.63	29.30	$25,599.70	146.61	$4,744.62	.16667	.16667			$4,744.62	.16667	0.001					
16	[illegible]	52304592	0409	1148.37	28.25	$32,454.71	226.40	$4,209.45	.16667	.16667			$4,209.45	.16667	0.001			9/20/84 NEW OPERATOR: AMOCO. 0.01		
17	[illegible]	52304592	0410	585.91	28.08	$16,449.54	97.64	$2,741.50	.16667	.16667			$2,741.50	.16667	0.001					
18	[illegible]	52304592	0411	953.98	25.67	$24,487.22	150.36	$3,300.30	.15760	.15801			$3,300.30	.15800	0.001					
19	[illegible]	52304592	0412	2017.06	25.70	$62,193.63	327.39	$9,249.00	.15625	.15675			$9,249.00	.15625	0.001					
20	[illegible]	52304592	0501	4497.48	26.78	$36,990.96	224.64	$5,320.19	.15000	.15029	($390.70)	($101.13)	$5,063.26	.13690	-7.063					
21	[illegible]	52304592	0502	4404.45	27.47	$121,476.37	223.97	$5,050.14	.13000	.14987	($350.98)	($100.33)	$4,589.93	.13671	-7.132					
22	[illegible]	52304592	0503	997.45	26.37	$26,311.25	149.62	$3,645.40	.15000	.14995	($252.36)	($67.32)	$3,330.32	.13657	-7.072					
23	[illegible]	52304592	0504	899.80	26.60	$23,909.05	149.04	$3,998.97	.16667	.16670	($275.64)	($202.29)	$3,563.04	.14004	-5.895					
24	[illegible]	52304592	0505	849.48	25.98	$22,080.93	140.14	$3,040.09	.16667	.16670	($252.04)		$3,031.45	.13604	-6.172					
25	[illegible]	52304592	0506	894.86	25.32	$22,650.84	149.00	$3,744.83	.16667	.16667	($216.29)		$3,528.54	.15704	-5.702					
26	[illegible]	52304592	0507	889.79	25.06	$22,301.13	148.38	$3,716.66	.16667	.16667	($207.00)		$3,509.86	.15735	-5.598					
27	[illegible]	52304592	0508	898.33	25.12	$22,490.69	149.72	$3,760.45	.16666	.16667	($216.49)		$3,531.96	.15704	-5.702					
28	[illegible]	52304592	0509	904.11	25.27	$22,745.17	150.02	$3,790.96	.16667	.16667	($218.96)		$3,522.86	.15704	-5.771					
29	[illegible]	52304592	0510	451.77	25.52	$11,529.17	75.38	$1,921.53	.16668	.16667	($130.92)		$1,860.61	.15705	-5.771					
30	[illegible]	52304592	0511	902.79	18.10	$9,113.67	150.48	$1,549.83	.16667	.16674	($7,579.59)		($11,059.76)	-.13674	-169.771					
31	[illegible]	52304592	0512	943.28	26.46	$24,958.47	157.21	$4,259.74	.16666	.16667	($239.83)		$3,919.91	.15706	-5.771					
32	[illegible]	52304592	0601	904.34	17.10	$15,466.79	150.71	$2,577.00	.16667	.16667	($157.01)		$2,019.99	.13060	-21.643					
33	[illegible]	52304592	0602	1343.85	11.67	$15,630.00	223.97	$2,603.47	.16667	.16667	($176.35)		$2,027.12	.12997	-22.143					
34	[illegible]	52304592	0603	901.70	10.70	$9,648.19	150.29	$1,608.03	.16666	.16667	($165.01)		$1,244.62	.12960	-22.605					
35	[illegible]	52304592	0604	899.45	11.30	$10,323.57	149.91	$1,753.95	.16667	.16667	($191.36)		$1,340.57	.12929	-22.433					
36	[illegible]	52304592	0605	891.44	12.20	$10,870.49	148.57	$1,822.47	.16666	.16667	($188.30)		$1,407.32	.12941	-22.351					
37	[illegible]	52304592	0606	1783.01	10.31	$18,433.22	298.00	$3,072.22	.16667	.16667	($189.49)		$2,374.73	.12903	-22.702					
38	[illegible]	52304592	0607	1781.75	11.69	$20,850.69	297.29	$3,436.62	.16667	.16667	($180.66)		$2,655.96	.12929	-22.432					
39	[illegible]	52304592	0608	1343.92	12.65	$17,006.00	223.99	$2,834.35	.16667	.16667	($163.48)		$2,190.95	.12930	-22.472					
40	[illegible]	52304592	0609	1350.17	12.33	$16,654.35	225.03	$2,775.32	.16667	.16667	($175.46)		$2,152.24	.12923	-22.543					
41	[illegible]	52304592	0610	1346.33	12.32	$16,833.09	224.72	$2,805.52	.16667	.16667	($130.71)		$2,175.38	.12903	-22.463					
42	[illegible]	52304592	0611	1343.14	12.68	$17,207.55	223.19	$2,801.26	.16667	.16667	($165.88)		$2,233.46	.12951	-22.013					
43	[illegible]	52304592	0701	1354.44	13.27	$18,210.21	226.07	$3,451.70	.16666	.16667	($163.64)		$2,688.06	.12959	-22.173					
44	[illegible]	52304592	0702	1348.04	13.55	$18,353.39	224.67	$3,492.53	.16666	.16667	($171.60)		$2,720.33	.12904	-22.383					
45	[illegible]	52304592	0703	1576.68	13.39	$18,189.31	262.77	$4,010.29	.16667	.16667	($180.09)		$3,129.40	.12900	-22.123					
46	[illegible]	52304592	0704	992.17	13.55	$13,447.25	165.30	$2,312.00	.16667	.16667	($131.09)		$1,804.79	.12904	-22.304					
47	[illegible]	52304592	0705	1330.41	13.93	$21,197.93	221.74	$3,532.99	.16667	.16667	($179.53)		$2,753.46	.12909	-22.063					
48																				
49	[illegible]	0401 TO 0705		47967.329	19.81	$850,364.12	7950.87	$139,237.66	.16633	.16380	($15,299.00)	($171.07)	$123,469.30	.14525	-10.990					

Table 2

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q — R	S	T
1 :MLT LARAMIE ROYALTY, FEDERAL BIRD 1-7, PARAMOUNT FIELD							DATE: 11/9/87			LARAMIE ROYALTY, REVENUES AND TAXES, FORT PECK, FEARES								
2 :																		
3 :DMS	TRIBAL	SALES	SALES		SALES	ROYALTY	ROYALTY						NET	NET				
4 :REPORT	LEASE #	MONTH	QUANTITY	PRICE	VALUE	QUANTITY	VALUE	TAXES	TAX RATE	REDUCTION	TRANSPORTATION REDUCTION		ROYALTY	ROYALTY RATE	TAX RATE			
5 :			BARRELS	$ / BBL		BARRELS		QUANTITY	VALUE									
6 :				E:S/D				I:Q/D	I:R/V				R:R+Q	R:R/V	O:T/D			
7 :																		
8 : SDR100BR	5230045950	8304	0.00		(11,289.22)	0	(1214.07)		.16667				(1214.07)	.16667	0.00%	HISTORICAL OPERATOR: TEXPERIOR OIL		
9 : SDR100BR	5230045950	8305	0.00		(17,412.64)	0	(1432.99)		.17947				(1432.99)	.17947	0.00%			
10 : SDR100BR	5230045950	8306	0.00		(11,757.40)	0	(1299.58)		.16667				(1299.58)	.16667	0.00%			
11 : SDR100BR	5230045950	8307	0.00		16,279.30	0	(1167.98)		-.07475				(1167.98)	-.07475	0.00%			
12 : SDR100BR	5230045950	8308	0.00		11,531.40	0	19.00		0.00000				10.00	0.00000	EXE			
13 : SDR100BR	5230045950	8309	1769.70	30.17	8435,400.50	-7.64	(1416.49)	.00055	-.00100				(1416.49)	-.00100	0.00%			
14 : SDR100BR	5230045950	8312	7319.49	29.26	$214,169.14	1276.67	$37,367.45	.17442	.17448				$37,367.45	.17448	0.00%			
15 : SDR100BR	5230045950	8401	8959.71	29.30	$236,811.92	1343.70	$39,423.66	.16667	.16648				$39,423.66	.16648	0.00%			
16 : SDR100BR	5230045950	8402	8854.61	29.30	$236,009.95	1342.54	$39,354.99	.16667	.16667				$39,354.99	.16667	0.00%			
17 : SDR100BR	5230045950	8403	8265.13	29.32	$233,364.68	1377.53	$38,877.45	.16667	.16667				$38,877.45	.16667	0.00%			
18 : SDR100BR	5230045950	8404	7522.81	29.90	$217,390.00	1254	$36,231.01	.16671	.16667				$36,231.01	.16667	0.00%			
19 : SDR100BR	5230045950	8405	7041.81	29.91	$276,912.09	1307.45	$37,002.04	.16666	.16667				$37,002.04	.16667	0.00%			
20 : SDR100BR	5230045950	8406	7442.30	29.92	$220,987.22	1273.33	$36,831.17	.16667	.16667				$36,831.17	.16667	0.00%			
21 : SDR100BR	5230045950	8407	7400.33	28.97	$216,970.39	1268.06	$36,161.76	.16667	.16667				$36,161.76	.16667	0.00%			
22 : SDR100BR	5230045950	8408	7401.09	29.12	$215,351.46	1268.06	$36,009.09	.16667	.16667				$36,009.09	.16667	0.00%			
23 : SDR100BR	5230045950	8409	6367.72	30.37	$183,172.71	1061.20	$30,520.71	.16667	.16667				$30,520.71	.16667	0.00%	9/20/84 NEW OPERATOR: AMERADA HESS		
24 : SDR100BR	5230045950	8410	7536.85	30.10	$211,707.91	1256.13	$35,297.98	.16667	.16667				$35,297.98	.16667	0.00%			
25 : SDR100BR	5230045950	8411	5245.82	30.30	$143,102.84	866.08	$22,799.71	.15918	.15932				$22,799.71	.15932	0.00%			
26 : SDR100BR	5230045950	8412	7737.82	25.73	$199,110.03	1160.71	$29,861.43	.15000	.14997				$29,861.43	.14997	0.00%			
27 : SDR100BR	5230045950	8501	7235.06	24.70	$178,746.53	1085.44	$26,862.94	.15030	.15029	($950.60)	($180.68)		$25,022.74	.14223	-3.54%			
28 : SDR100BR	5230045950	8502	5539.23	23.97	$132,790.79	875.00	$19,909.96	.15012	.14995	($796.91)	($151.31)		$18,008.94	.14166	-3.55%			
29 : SDR100BR	5230045950	8503	6380.06	24.39	$155,872.10	915.01	$23,871.29	.14992	.14994	($815.14)	($425.85)		$21,830.40	.14107	-3.53%			
30 : SDR100BR	5230045950	8504	6783.50	26.87	$166,406.79	1033.92	$27,784.65	.16667	.16670	($909.62)	($1,395.79)		$25,481.25	.15267	-3.27%			
31 : SDR100BR	5230045950	8505	5750.36	28.49	$152,247.04	958.50	$25,395.90	.16670	.16670	($833.41)	($1,293.83)		$24,068.74	.15799	-.13%			
32 : SDR100BR	5230045950	8506	5756.72	26.05	$149,963.23	959.46	$24,999.36	.16667	.16667	($777.00)	($444.33)		$23,323.03	.15506	-3.11%			
33 : SDR100BR	5230045950	8507	6240.06	26.06	$153,878.50	1023.34	$25,469.30	.16667	.16682	($716.00)			$24,952.47	.16216	-2.79%			
34 : SDR100BR	5230045950	8508	6320.04	25.10	$154,205.77	1020.34	$25,614.30	.16667	.16667	($745.46)			$25,060.84	.16185	-2.09%			
35 : SDR100BR	5230045950	8509	6622.41	25.37	$167,316.09	1103.74	$27,886.09	.16667	.16667	($805.12)			$27,080.90	.16185	-2.09%			
36 : SDR100BR	5230045950	8510	6220.14	25.49	$158,775.79	1030.02	$26,462.63	.16667	.16667	($765.79)			$25,696.84	.16186	-2.09%			
37 : SDR100BR	5230045950	8511	6276.00	16.02	$105,559.46	1046.14	$17,593.25	.16667	.16667	($10,119.55)			$7,473.70	.07070	-57.52%			
38 : SDR100BR	5230045950	8512	6299.44	26.49	$166,718.83	1049.90	$27,786.48	.16667	.16667	($891.00)			$26,895.48	.16306	-2.00%			
39 : SDR100BR	5230045950	8601	6978.02	24.30	$168,177.55	1163.34	$28,029.60	.16667	.16667	($2,909.57)			$25,040.03	.14889	-10.67%			
40 : SDR100BR	5230045950	8602	4267.16	16.77	$101,959.18	1044.32	$16,994.85	.16667	.16667	($1,843.35)			$15,151.50	.14859	-10.85%			
41 : SDR100BR	5230045950	8603	7119.96	17.06	$85,854.01	1186.54	$14,309.00	.16667	.16667	($1,579.84)			$12,729.16	.10977	-11.04%			
42 : SDR100BR	5230045950	8604	6639.99	18.77	$121,489.53	1106.66	$18,914.93	.16667	.16667	($1,345.61)			$16,569.32	.14704	-11.29%			
43 : SDR100BR	5230045950	8605	5943.72	11.72	$69,621.56	990.70	$11,601.59	.16667	.16667	($1,301.00)			$10,302.59	.14798	-11.21%			
44 : SDR100BR	5230045950	8606	6093.06	11.91	$72,590.23	1015.52	$12,098.37	.16667	.16667	($1,354.65)			$10,743.72	.14801	-11.20%			
45 : SDR100BR	5230045950	8607	6195.50	10.07	$62,302.91	1032.58	$10,397.16	.16667	.16667	($1,189.14)			$9,215.02	.14772	-11.37%			
46 : SDR100BR	5230045950	8608	6143.52	11.79	$72,451.28	1023.92	$12,075.23	.16667	.16667	($1,353.98)			$10,721.25	.14798	-11.21%			
47 : SDR100BR	5230045950	8609	6209.88	12.81	$79,575.00	1034.98	$13,262.53	.16667	.16667	($1,485.16)			$11,777.36	.14800	-11.20%			
48 : SDR100BR	5230045950	8610	5765.00	12.33	$71,071.37	960.84	$11,845.22	.16667	.16667	($1,330.68)			$10,510.02	.14795	-11.23%			
49 : SDR100BR	5230045950	8611	5806.46	12.32	$71,529.89	967.74	$11,921.65	.16667	.16667	($1,339.06)			$10,582.59	.14795	-11.23%			
50 : SDR100BR	5230045950	8612	5819.18	12.79	$74,441.45	969.86	$12,400.25	.16667	.16667	($1,388.83)			$11,013.42	.14800	-11.20%			
51 : SDR100BR	5230045950	8701	6213.04	15.73	$97,624.99	1035.5	$15,320.84	.16667	.16667	($1,744.81)			$14,026.03	.14873	-11.06%			
52 : SDR100BR	5230045950	8702	4901.70	15.60	$76,497.31	817.20	$12,749.43	.16667	.16667	($1,408.40)			$11,341.21	.14926	-11.05%			
53 : SDR100BR	5230045950	8703	6862.48	15.33	$105,234.30	1143.74	$17,539.04	.16667	.16667	($1,939.59)			$15,599.45	.14024	-11.06%			
54 : SDR100BR	5230045950	8704	5665.40	15.59	$88,320.07	944.24	$14,720.14	.16667	.16667	($1,626.35)			$13,093.99	.14025	-11.05%			
55 : SDR100BR	5230045950	8705	5705.04	16.21	$97,498.73	950.84	$15,816.45	.16667	.16667	($1,698.93)			$13,717.52	.14430	-11.02%			
56 :																		
57 :TOTAL 03/86 TO 07/05			289510.00	22.30	$6,470,555.17	45563.21	$998,157.06	.15730	.15489	($45,856.04)	($14,812.60)		$940,257.62	.14539	-4.51%			

Table 3

NET TOTAL ROYALTY, TOTAL 8-12, PRODUCING FIELD — DATE: 11/9/87 — LARRY ROBSON, MINERALS AND TAXES, FORT PECK TRIBES

MO PROD	TOTAL LEASE #	SALES MONTH	SALES QUANTITY BARRELS	PRICE $ / BBL E:F/D	SALES VALUE	ROYALTY QUANTITY BARRELS	ROYALTY VALUE	ROYALTY RATE FROM QUANTITY E:G/D	ROYALTY RATE FROM VALUE J:H/F	TAX DEDUCTION	TRANSPORTATION DEDUCTION	NET ROYALTY B:M+N	NET ROYALTY RATE B:O/F	TAX RATE O:I/D	
8	5801008	5230045%	0404	2366.42	28.74	68,015.31	394.35	$11,335.09	.16664	.16667		$11,335.09	.16667	0.00%	ORIGINAL OPERATOR: SUPERIOR OIL
9	5801008	5230045%	0405	2815.62	28.00	$81,309.89	469.27	$13,551.65	.16667	.16667		$13,551.65	.16667	0.00%	
10	5801008	5230045%	0406	3418.06	28.82	$99,934.28	570.01	$16,655.71	.16667	.16667		$16,655.71	.16667	0.00%	
11	5801008	5230045%	0407	2853.63	28.84	$82,437.72	483.68	$13,739.62	.16920	.16667		$13,739.62	.16667	0.00%	
12	5801008	5230045%	0408	3429.87	29.09	$99,782.45	571.65	$16,630.41	.16667	.16667		$16,630.41	.16667	0.00%	
13	5801008	5230045%	0409	2037.58	29.91	$58,966.99	339.59	$9,827.84	.16666	.16667		$9,827.84	.16667	0.00%	9/29/84 NEW OPERATOR: AMER. OIL
14	5801008	5230045%	0410	3055.54	28.07	$85,784.27	509.26	$14,297.38	.16667	.16667		$14,297.38	.16667	0.00%	
15	5801008	5230045%	0411	3476.52	26.22	$91,141.20	480.90	$12,620.12	.13833	.13847		$12,620.12	.13847	0.08%	
16	5801008	5230045%	0412	2940.43	25.00	$76,363.82	417.68	$10,776.18	.14100	.14100		$10,776.18	.14100	0.00%	
17	5801008	5230045%	0501	2647.11	24.00	$65,851.44	378.16	$9,444.71	.14286	.14342	($665.16)	$8,529.28	.12945	-7.04%	
18	5801008	5230045%	0502	2344.77	23.02	$53,966.49	334.97	$7,718.73	.14286	.14301	($537.46)	$6,954.96	.12908	-6.97%	
19	5801008	5230045%	0503	2700.33	24.47	$66,104.79	385.76	$9,575.60	.14286	.14302	($661.04)	$8,600.10	.12970	-6.94%	
20	5801008	5230045%	0504	3140.62	26.82	$84,459.89	524.78	$14,079.30	.16667	.16670	($830.10)	$12,540.76	.14840	-5.98%	
21	5801008	5230045%	0505	2704.47	25.95	$70,183.86	450.78	$11,699.65	.16667	.16670	($721.77)	$10,977.93	.15642	-6.17%	
22	5801008	5230045%	0506	2750.40	25.27	$69,517.46	458.43	$11,580.54	.16667	.16670	($745.70)	$10,845.30	.15601	-6.41%	
23	5801008	5230045%	0507	2704.79	25.07	$67,787.92	450.80	$11,286.91	.16667	.16670	($631.04)	$10,655.87	.15730	-5.59%	
24	5801008	5230045%	0508	1010.41	25.12	$25,477.57	301.73	$7,579.58	.16666	.16667	($437.76)	$7,141.82	.25304	-5.78%	
25	5801008	5230045%	0509	2718.09	25.27	$68,705.24	453.01	$11,447.40	.16666	.16667	($641.09)	$10,706.36	.15704	-5.77%	
26	5801008	5230045%	0510	2278.21	25.51	$58,112.65	379.70	$9,685.42	.16667	.16667	($539.09)	$9,176.33	.15295	-5.77%	
27	5801008	5230045%	0511	2732.97	33.42	$36,936.54	458.83	$6,150.18	.16667	.16672	($6,346.91)	($180.73)	-.00541	-103.06%	
28	5801008	5230045%	0512	2715.76	26.52	$72,001.83	452.54	$12,008.38	.16667	.16667	($691.85)	$11,200.45	.15906	-5.77%	
29	5801008	5230045%	0601	2699.64	23.76	$64,161.11	449.97	$10,693.52	.16667	.16667	($2,282.23)	$8,411.29	.13100	-21.34%	
30	5801008	5230045%	0602	2245.34	16.81	$35,940.40	374.22	$5,990.06	.16667	.16667	($1,300.52)	$4,689.54	.13048	-21.71%	
31	5801008	5230045%	0603	2690.21	11.91	$32,143.21	448.70	$5,357.21	.16667	.16667	($1,183.96)	$4,173.25	.12981	-22.08%	
32	5801008	5230045%	0604	2755.92	10.78	$29,315.74	395.99	$4,052.62	.14667	.14667	($915.28)	$3,137.34	.12903	-22.50%	
33	5801008	5230045%	0605	2683.40	11.86	$31,833.96	447.23	$5,305.66	.16667	.16667	($1,188.55)	$4,117.11	.12933	-22.08%	
34	5801008	5230045%	0606	2210.89	11.50	$25,369.82	368.48	$4,384.97	.16667	.16667	($982.04)	$3,402.93	.12934	-22.30%	
35	5801008	5230045%	0607	2225.70	10.89	$24,119.96	370.96	$3,741.66	.16667	.16667	($851.23)	$2,890.43	.12875	-22.75%	
36	5801008	5230045%	0608	2689.39	11.93	$32,088.87	448.23	$5,348.14	.16667	.16667	($1,198.95)	$4,149.19	.12930	-22.47%	
37	5801008	5230045%	0609	1063.19	12.75	$22,991.72	360.53	$3,831.95	.33917	.16667	($.01)	$3,831.94	.16667	-.00%	
38	5801008	5230045%	0610	2256.33	12.35	$27,850.85	376.05	$4,643.14	.16666	.16667	($858.54)	$3,784.60	.13585	-18.49%	
39	5801008	5230045%	0611	2708.63	12.31	$33,330.00	451.41	$5,555.00	.16667	.16667	($1,042.87)	$4,512.13	.13538	-18.77%	
40	5801008	5230045%	0612	2267.27	12.92	$29,296.06	377.87	$4,882.67	.16667	.16667	($1,248.01)	$3,634.66	.12407	-25.56%	
41	5801008	5230045%	0701	2272.05	15.10	$34,504.59	378.01	$5,750.76	.16667	.16667	($1,092.84)	$4,657.92	.13099	-19.00%	
42	5801008	5230045%	0702	1882.23	15.59	$29,894.53	300.37	$4,682.42	.16667	.16667	($1,272.73)	$3,409.69	.12136	-27.18%	
43	5801008	5230045%	0703	2697.78	15.42	$41,600.70	449.63	$6,934.79	.16667	.16667	($1,834.55)	$5,900.24	.14180	-14.92%	
44	5801008	5230045%	0704	1795.66	15.59	$27,990.72	299.28	$4,666.65	.16667	.16667	($1,533.23)	$3,133.22	.11199	-32.86%	
45	5801008	5230045%	0705	2277.29	16.10	$35,859.05	379.71	$5,976.60	.16666	.16667	($1,030.99)	$4,945.65	.13752	-17.25%	
46															
47	TOTAL 04/84 TO 07/85			97281.02	21.13	$2,054,847.17	15863.25	$333,447.08	.16307	.16234	($32,503.06)	($1,450.20)	$299,493.82	.14581	-9.75%

Table 4

NET REVENUE ROYALTY, TRIBAL BEAR F-5, PALOMINO FIELD — DATE: 11/9/87 — LARRY BURGAN, NINE OAKS AND TALES, FORT PECK TRIBES

MPS CATEGORY	TRIBAL LEASE #	SALES MONTH	SALES QUANTITY BARRELS	PRICE $ / BBL E=F/D	SALES VALUE F	ROYALTY QUANTITY BARRELS G	ROYALTY VALUE H	ROYALTY RATE FROM QUANTITY I=G/D	ROYALTY RATE FROM VALUE J=H/F	TAX DEDUCTION K	TRANSPORTATION DEDUCTION L	NET ROYALTY M=H+K+L	NET ROYALTY RATE N=M/F	TAX RATE O=I/N	P	Q	R	S	T
SBR100BR	5230046160 0309		-1060.02		($31,294.19)	-2.94	($83.54)		.00263			($83.54)	.00263	0.00%					
SBR100BR	5230046160 0310		1140.02		$33,653.99	20.84	$591.78		.01758			$591.78	.01758	0.00%					
SBR100BR	5230046160 0312		-22743.52		($580,751.71)	486.97	$13,856.87		.03539			$13,856.87	.03539	0.00%					
SBR100BR	5230046160 0401		7439.47		$190,683.86	486.50	$11,780.51		.14667			$11,780.51	.14667	0.00%					
SBR100BR	5230046160 0402		7551.21		$194,796.65	481.49	$12,382.77		.14667			$12,382.77	.14667	0.00%					
SBR100BR	5230046160 0403		2489.34	28.78	$69,326.95	481.53	$11,554.48	.16243	.14667			$11,554.48	.16243	0.00%					
SBR100BR	5230046160 0404		1906.25	28.88	$54,897.38	317.71	$9,149.55	.16667	.14667			$9,149.55	.16667	0.00%					
SBR100BR	5230046160 0405		2533.29	28.79	$64,290.58	372.22	$10,716.45	.16667	.14667			$10,716.45	.16667	0.00%					
SBR100BR	5230046160 0406		2434.81	28.83	$70,152.71	405.81	$11,692.78	.16667	.14667			$11,692.78	.16667	0.00%					
SBR100BR	5230046160 0407		2140.90	28.85	$61,766.92	356.82	$10,794.48	.16667	.14667			$10,794.48	.16667	0.00%					
SBR100BR	5230046160 0408		2209.64	29.10	$64,293.62	368.20	$10,715.59	.16667	.14667			$10,715.59	.16667	0.00%					
SBR100BR	5230046160 0409		2126.86	28.75	$61,141.11	354.47	$10,190.20	.16666	.14667			$10,190.20	.16667	0.00%					
SBR100BR	5230046160 0410		2282.62	28.83	$65,902.02	380.43	$10,663.79	.16666	.14667			$10,663.79	.16667	0.00%					
SBR100BR	5230046160 0411		2791.82	26.12	$72,924.02	440.05	$11,507.68	.15762	.15773			$11,507.68	.15773	0.00%					
SBR100BR	5230046160 0412		3517.00	25.00	$87,908.00	527.76	$13,616.25	.15006	.15006			$13,616.25	.15006	0.00%					
SBR100BR	5230046160 0501		3067.61	24.75	$75,910.36	460.05	$11,409.13	.14997	.15030	($396.48)	($286.00)	$10,806.55	.14234	-3.48%		5/29/84 NEW OPERATOR: HOWIE OIL			
SBR100BR	5230046160 0502		3077.14	22.75	$69,996.78	461.58	$10,494.96	.15000	.14993	($372.61)	($207.70)	$9,914.65	.14164	-3.55%					
SBR100BR	5230046160 0503		4009.86	24.39	$97,795.23	601.35	$14,663.46	.15000	.14996	($519.85)	($276.57)	$13,874.04	.14190	-3.53%					
SBR100BR	5230046160 0504		3428.32	26.98	$92,147.00	571.38	$15,361.03	.16666	.16670	($502.85)	($273.30)	$14,086.78	.15297	-3.37%					
SBR100BR	5230046160 0505		3423.64	26.60	$90,673.24	570.72	$15,115.23	.16670	.16670		($770.32)	$14,344.91	.15620	0.00%					
SBR100BR	5230046160 0506		2760.28	26.56	$73,319.16	460.34	$12,222.37	.16670	.16670	($334.29)	($429.29)	$11,724.91	.15318	-3.00%					
SBR100BR	5230046160 0507		3185.92	25.12	$80,023.55	530.99	$13,325.39	.16666	.16652	($327.15)		$12,953.24	.16187	-2.79%					
SBR100BR	5230046160 0508		3190.36	25.12	$80,147.00	531.72	$13,357.02	.16666	.16667	($305.72)		$12,971.30	.16185	-2.09%					
SBR100BR	5230046160 0509		2229.04	25.27	$61,401.76	337.34	$13,570.64	.16667	.16667	($392.04)		$13,306.60	.17185	-2.09%					
SBR100BR	5230046160 0510		2758.64	25.52	$70,400.50	459.78	$11,733.42	.16667	.16667	($330.65)		$11,394.77	.16186	-2.89%					
SBR100BR	5230046160 0511		2340.34	15.91	$37,237.54	390.06	$6,206.26	.16667	.16667	($4,135.57)		$2,070.69	.05561	-66.64%					
SBR100BR	5230046160 0512		2340.40	26.52	$62,067.40	390.06	$10,544.57	.16666	.16667	($290.39)		$10,046.38	.16306	-2.80%					
SBR100BR	5230046160 0601		2802.54	24.46	$68,519.94	466.92	$11,419.98	.16667	.16667	($1,217.14)		$10,202.84	.14890	-10.66%					
SBR100BR	5230046160 0602		1639.82	15.90	$26,082.12	273.10	$4,344.71	.16667	.16667	($471.87)		$3,872.89	.14859	-10.86%					
SBR100BR	5230046160 0603		2990.30	12.27	$36,707.46	499.7	$6,131.20	.16667	.16667	($626.15)		$5,505.13	.14829	-11.83%					
SBR100BR	5230046160 0604		2764.60	10.82	$29,915.84	460.76	$4,987.64	.16666	.16667	($563.02)		$4,424.62	.14785	-11.29%					
SBR100BR	5230046160 0605		2710.50	11.70	$31,640.60	536.42	$6,274.74	.16667	.16667	($703.63)		$5,571.11	.14790	-11.21%					
SBR100BR	5230046160 0606		2711.60	12.83	$37,635.72	454.94	$5,630.95	.16667	.16667	($680.49)		$4,950.46	.14907	-11.19%					
SBR100BR	5230046160 0607		3680.30	10.13	$37,285.04	613.38	$6,214.17	.16667	.16667	($706.12)		$5,508.05	.14773	-11.36%					
SBR100BR	5230046160 0608		3220.06	12.09	$38,917.97	536.68	$6,486.33	.16667	.16667	($775.86)		$5,710.47	.14802	-11.19%					
SBR100BR	5230046160 0609		2776.26	12.95	$35,950.00	462.71	$5,991.68	.16667	.16667	($670.42)		$5,321.26	.14882	-11.19%					
SBR100BR	5230046160 0610		3229.12	12.35	$39,879.64	538.18	$6,646.61	.16666	.16667	($746.42)		$5,900.19	.14795	-11.23%					
SBR100BR	5230046160 0611		3710.22	12.35	$45,920.02	619.7	$7,653.35	.16667	.16667	($859.46)		$6,793.89	.14795	-11.23%					
SBR100BR	5230046160 0612		3271.22	12.92	$42,267.44	545.2	$7,044.61	.16667	.16667	($788.32)		$6,256.29	.14801	-11.19%					
SBR100BR	5230046160 0701		2795.10	15.27	$42,672.76	465.85	$7,112.12	.16667	.16667	($786.73)		$6,325.39	.14873	-11.06%					
SBR100BR	5230046160 0702		2779.40	15.68	$43,358.62	463.24	$7,226.43	.16667	.16667	($798.78)		$6,428.35	.14826	-11.05%					
SBR100BR	5230046160 0703		3641.02	15.47	$56,339.46	606.84	$9,389.91	.16667	.16667	($1,037.81)		$8,352.10	.14825	-11.05%					
SBR100BR	5230046160 0704		2768.28	15.60	$43,185.37	461.38	$7,197.56	.16667	.16667	($795.09)		$6,402.47	.14826	-11.05%					
SBR100BR	5230046160 0705		2764.12	16.10	$44,729.76	460.68	$7,454.95	.16666	.16667	($821.65)		$6,633.30	.14830	-11.02%					
SBR100BR																			
SBR100BR																			
SBR100BR																			
SBR100BR																			
SBR100BR																			
57	00682 03/06 TO 07/05		103341.72	19.76	$2,053,396.02	19465.93	$13,454.54	.18920	.20435	($21,065.03)	($2,047.25)	$389,539.26	.18970	-5.09%					

Table 5

PALOMINO ROYALTY ANALYSIS JAN. 13, 1987

SUMMARY COMMENTS FOR PALOMINO ROYALTY/TAX ANALYSIS:

1. Tax and transportation deductions from Tribal and allotted royalties did not begin until January of 1985, when Mobil Oil was the operator. Tax deductions ended in July of 1987 when Avalon became operator.

2. The tax deduction for November of 1985 is suspiciously high for all four wells and may be incorrect data in the MMS system.

3. Note the relatively higher tax rate which began in January of 1986 for all four wells. Also note that the apparent tax deductions for the two shared interest wells, Tribal Bird 1-7 and Tribal Bear 2-5, are at a rate that is half the rate applied to the other two wells which are 100% Tribal interest. (See column O on the tables.) This implies to me that the company may not have removed taxes from the allotted share. The royalties shown for these two wells is the combined trust share, as is the MMS convention.

4. Some of the royalty rate calculations do not make sense because of the suspicious entries in late 1983 when the old royalty accounting system was converted to the present MMS system.

5. The total tax allowance was $ 120,089. The transportation deduction was $ 9,611.12. I have found no entries refunding these debits to the Tribe's MMS accounts.

LARRY MONSON, GEOLOGIST MINERALS RESOURCE AND TAXES FORT PECK TRIBES

RUN SORT: AIN210R BIAFP
REPORT ID: AIN210R
RUN DATE: 10/30/86
RUN TIME: 00:25:33

233

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM

REPORT PAGE: 0000195
REPORT PAGE: 000195

FINANCIAL DISTRIBUTION REPORT
PRODUCING INDIAN OIL AND GAS LEASES
BIA-FT PECK AGENCY OFFICE
FOR 10/17/86 THRU 10/30/86

DISTRIBUTEE: 7233 ASSINIBOINE-SIOUX TRIBES

PAYOR: 36553 MOBIL OIL CORPORATION

DOC ID: ROYL 00197747

Example Documenting Tax Deduction

LEASE NUM	PR CD	SALES MO/YR	QUANTITY	UNIT VALUE	ROYALTY RATE	RENTS AND ROYALTIES	ASSESSMENTS	ALLOWANCES	NET AMOUNT	LEASE TOTALS
523-004592-0	01	07/86	0.00	$ 0.00	.1667	$ 6.83-	$ 0.00	$ 0.00	$ 6.83-	
		08/86	1,793.79	$ 11.71	.1293	$ 3,481.17	$ 0.00	$ 780.66-	$ 2,700.51	$ 2,693.68
523-004595-0	01	07/86	0.00	$ 0.00	.1667	$ 11.44-	$ 0.00	$ 0.00	$ 11.44-	
		08/86	3,071.76	$ 11.80	.1480	$ 6,041.57	$ 0.00	$ 676.99-	$ 5,364.58	$ 5,353.14
523-004598-0	01	07/86	0.00	$ 0.00	.1666	$ 20.12-	$ 0.00	$ 0.00	$ 20.12-	
		08/86	2,689.39	$ 11.95	.1294	$ 5,355.13	$ 0.00	$ 1,198.95-	$ 4,156.18	$ 4,136.06
523-004618-0	01	07/86	0.00	$ 0.00	.1666	$ 5.93-	$ 0.00	$ 0.00	$ 5.93-	
		08/86	1,610.04	$ 12.09	.1480	$ 3,245.28	$ 0.00	$ 362.93-	$ 2,882.35	$ 2,876.42
TOTALS FOR DOCUMENT: ROYL			00197747			$ 18,079.03	$ 0.00	$ 3,019.53-		$ 15,059.50

PAYMENT REFERENCE INFORMATION FOR ROYL 00197747

PAYMENT ID	RECEIPT DATE	AMOUNT
TFCS 00033454	09/30/86	$ 15,059.50

PAYMENT REFERENCE TOTAL:	$ 15,059.50
DISTRIBUTIONS FROM THIS REPORT:	15,059.50
DISTRIBUTIONS FROM PREVIOUS REPORTS:	0.00
AVAILABLE FOR FUTURE DISTRIBUTIONS:	0.00

A	B	C	D	E	F	G	H	J	K	L	M	N	O	P	Q
1	SHELL FEDERAL ROYALTY, TRIBAL 7-41, PALOMINO FIELD				DATE: 11/9/87			LARRY HUDSON, MINERALS AND TAX, FORT PECK TRIBES							
2															
3	MMS	FEDERAL	SALES	SALES		SALES	ROYALTY	ROYALTY	ROYALTY RATE	TAX	TRANSPORTATION	NET	NET ROYALTY	TAX	
4	REPORT	LEASE O	MONTH	QUANTITY	PRICE	VALUE	QUANTITY	VALUE	FROM QUANTITY	FROM VALUE	REDUCTION	REDUCTION	ROYALTY	RATE	RATE	
5				BARRELS	$ / BBL		BARRELS		1=G/B	2=H/F						
6		MMS PREFIX			E=F/D								B=M+N	B=O/F	O=I/H	
7																
8	5SB010BR	5230045920	0401	135.47	29.01	$3,930.06	22.50	$655.01	.16660	.16667			$655.01	.16667	0.00%	INITIAL OPERATOR: SUPERIOR OIL
9	5SB010BR	5230045920	0402	1131.37	29.34	$33,185.03	188.52	$5,530.04	.16667	.16667			$5,530.04	.16667	0.00%	
10	5SB010BR	5230045920	0403	616.95	29.15	$17,984.06	102.82	$2,997.34	.16666	.16667			$2,997.34	.16667	0.00%	
11	5SB010BR	5230045920	0404	522.50	29.01	$15,159.55	87.08	$2,526.58	.16666	.16667			$2,526.58	.16667	0.00%	
12	5SB010BR	5230045920	0405	543.14	29.74	$15,610.08	90.52	$2,601.82	.16666	.16667			$2,601.82	.16667	0.00%	
13	5SB010BR	5230045920	0406	840.13	28.82	$24,209.00	140.02	$4,034.83	.16666	.16667			$4,034.83	.16667	0.00%	
14	5SB010BR	5230045920	0407	835.02	28.82	$24,062.61	139.17	$4,000.27	.16667	.16667			$4,010.27	.16667	0.00%	
15	5SB010BR	5230045920	0408	879.63	29.10	$25,599.70	146.61	$4,266.62	.16667	.16667			$4,266.62	.16667	0.00%	
16	5SB010BR	5230045920	0409	1358.37	28.75	$39,056.71	226.40	$6,509.45	.16667	.16667			$6,509.45	.16667	0.00%	9/29/84 NEW OPERATOR: HUBER OIL
17	5SB010BR	5230045920	0410	585.91	28.08	$16,449.54	97.64	$2,741.50	.16665	.16667			$2,741.50	.16667	0.00%	
18	5SB010BR	5230045920	0411	953.98	25.87	$24,682.32	158.16	$3,900.30	.15240	.15001			$3,900.30	.15001	0.00%	
19	5SB010BR	5230045920	0412	2419.06	25.79	$62,393.63	377.99	$9,749.00	.15625	.15625			$9,749.00	.15625	0.00%	
20	5SB010BR	5230045920	0501	1497.48	24.70	$36,990.96	224.64	$5,559.19	.15001	.15029	($392.70)	($301.33)	$5,065.36	.13694	-7.06%	
21	5SB010BR	5230045920	0502	1486.45	27.67	$33,694.37	222.97	$5,058.14	.15000	.14983	($339.98)	($200.33)	$4,569.91	.13625	-7.13%	
22	5SB010BR	5230045920	0503	997.45	24.37	$24,311.25	149.62	$3,645.00	.15000	.14993	($257.56)	($67.32)	$3,320.12	.13657	-7.07%	
23	5SB010BR	5230045920	0504	899.84	26.66	$23,989.85	149.84	$3,592.97	.16667	.16670	($235.64)	($202.29)	$3,561.04	.14844	-5.09%	
24	5SB010BR	5230045920	0505	888.81	25.99	$23,088.95	148.14	$3,848.09	.16667	.16670	($237.40)		$3,611.45	.15641	-6.17%	
25	5SB010BR	5230045920	0506	894.46	25.12	$22,468.04	149.08	$3,744.01	.16667	.16667	($216.27)		$3,528.54	.15008	-5.78%	
26	5SB010BR	5230045920	0507	889.79	25.06	$22,301.13	148.30	$3,716.06	.16667	.16667	($207.00)		$3,509.06	.15735	-5.58%	
27	5SB010BR	5230045920	0508	895.33	25.12	$22,490.69	149.22	$3,748.45	.16666	.16667	($216.49)		$3,531.96	.15706	-5.78%	
28	5SB010BR	5230045920	0509	900.11	25.27	$22,745.77	150.02	$3,790.96	.16667	.16667	($218.98)		$3,572.06	.15704	-5.77%	
29	5SB010BR	5230045920	0510	451.77	25.52	$11,529.17	75.30	$1,921.53	.16668	.16667	($110.92)		$1,810.61	.15095	-5.77%	
30	5SB010BR	5230045920	0511	902.39	10.10	$9,115.07	150.40	$1,519.83	.16667	.16674	($2,579.59)		($1,059.76)	-.11626	-169.73%	
31	5SB010BR	5230045920	0512	947.28	26.46	$24,950.42	157.21	$4,159.74	.16666	.16667	($239.83)		$3,919.91	.15706	-5.77%	
32	5SB010BR	5230045920	0601	904.24	17.30	$15,646.79	150.71	$2,577.00	.16667	.16667	($557.01)		$2,019.99	.13403	-21.60%	
33	5SB010BR	5230045920	0602	1343.03	11.62	$15,600.00	223.92	$2,601.67	.16667	.16667	($576.35)		$2,027.32	.12977	-22.14%	
34	5SB010BR	5230045920	0604	901.30	10.70	$9,648.19	150.20	$1,608.03	.16666	.16667	($363.41)		$1,244.62	.12900	-22.68%	
35	5SB010BR	5230045920	0605	899.65	11.70	$10,522.57	149.91	$1,753.93	.16667	.16667	($393.36)		$1,360.57	.12929	-22.43%	
36	5SB010BR	5230045920	0606	891.44	12.20	$10,874.49	148.57	$1,812.42	.16666	.16667	($405.10)		$1,407.32	.12941	-22.35%	
37	5SB010BR	5230045920	0607	1766.01	10.31	$18,433.22	298.00	$3,072.22	.16667	.16667	($657.49)		$2,374.73	.12663	-22.70%	
38	5SB010BR	5230045920	0608	1765.75	11.69	$20,659.69	297.29	$3,476.62	.16667	.16667	($780.66)		$2,695.96	.12924	-22.45%	
39	5SB010BR	5230045920	0609	1345.92	12.65	$17,026.08	223.99	$2,850.35	.16667	.16667	($635.40)		$2,190.95	.12930	-22.47%	
40	5SB010BR	5230045920	0610	1350.17	12.33	$16,650.33	225.03	$2,775.72	.16667	.16667	($623.48)		$2,152.24	.12915	-22.46%	
41	5SB010BR	5230045920	0611	1344.33	12.32	$16,033.09	227.72	$2,805.52	.16667	.16667	($630.24)		$2,175.28	.12973	-22.46%	
42	5SB010BR	5230045920	0612	1363.14	12.68	$17,287.55	227.19	$2,861.26	.16667	.16667	($645.80)		$2,215.46	.12931	-22.41%	
43	5SB010BR	5230045920	0701	1354.94	15.27	$20,710.21	226.07	$3,451.70	.16666	.16667	($763.64)		$2,688.06	.12979	-22.12%	
44	5SB010BR	5230045920	0702	1348.04	15.55	$20,955.39	224.67	$3,492.57	.16666	.16667	($771.68)		$2,720.77	.12984	-22.10%	
45	5SB010BR	5230045920	0703	1576.60	15.29	$24,107.71	262.77	$4,040.79	.16667	.16667	($850.89)		$3,129.40	.12980	-22.12%	
46	5SB010BR	5230045920	0704	892.17	15.55	$13,877.25	148.70	$2,312.00	.16667	.16667	($511.09)		$1,801.79	.12984	-22.10%	
47	5SB010BR	5230045920	0705	1330.41	15.93	$21,197.93	221.74	$3,532.99	.16667	.16667	($779.53)		$2,753.46	.12989	-22.06%	
48	5SB010BR	5230045920	0706	1674.25	16.80	$28,131.94	279.06	$4,688.66	.16667	.16667	($1,031.21)		$3,657.45	.13001	-21.99%	
49	5SB010BR	5230045920	0707	1322.66	18.81	$25,096.63	221.78	$4,171.44	.16667	.16667			$4,171.44	.16667	0.00%	
50	5SB010BR	5230045920	0708	1345.84	18.78	$25,271.04	224.31	$4,211.84	.16667	.16667			$4,211.84	.16667	0.00%	8/4/87 NEW OPERATOR: AMERADA
51	5SB010BR	5230045920	0709	1118.59	17.84	$19,956.00	186.43	$3,326.00	.16667	.16667			$3,326.00	.16667	0.00%	
52																
53	TOTALS	5230045920		48376.769	19.61	$948,453.84	7962.45	$155,635.61	.16450	.16409	($16,320.30)	($471.07)	$138,836.24	.14638	-10.49%	

NET TRIBAL ROYALTY, TRIBAL DIST 1-7, PALOMINO FIELD — DATE: 11, — LARRY MORROW, MINERALS AND TAXES, FORT PECK TRIBES

MMS REPORT	TRIBAL LEASE # / MMS PREFIX	SALES MONTH	SALES QUANTITY BARRELS	PRICE $ / BBL E:F/D	SALES VALUE	ROYALTY QUANTITY BARRELS	ROYALTY VALUE	ROYALTY RATE FROM QUANTITY I:G/D	ROYALTY RATE FROM VALUE J:H/F	TAX DEDUCTION	TRANSPORTATION DEDUCTION	NET ROYALTY H:H2+K	NET ROYALTY RATE N:H/F	TAX RATE O:I/D	
8	5230045950	8304	0.00		($1,209.22)	0	($214.07)		.16667			($214.07)	.16667	0.00%	ORIGINAL OPERATOR: SUPERIOR OIL
9	5230045950	8305	0.00		($2,412.64)	0	($432.99)		.17947			($432.99)	.17947	0.00%	
10	5230045950	8306	0.00		($1,797.48)	0	($299.58)		.16667			($299.58)	.16667	0.00%	
11	5230045950	8307	0.00		$6,279.38	0	($167.98)		-.02675			($167.98)	-.02675	0.00%	
12	5230045950	8308	0.00		$1,531.40	0	$0.00		0.00000			$0.00	0.00000	ERR	
13	5230045950	8309	13769.20	30.17	$415,400.58	-7.64	($416.49)	-.00055	-.00100			($416.49)	-.00100	0.00%	
14	5230045950	8312	7319.49	29.26	$214,169.14	1276.67	$37,367.45	.17442	.17448			$37,367.45	.17448	0.00%	
15	5230045950	8401	8059.71	29.38	$236,811.92	1343.28	$39,423.66	.16667	.16648			$39,423.66	.16648	0.00%	
16	5230045950	8402	8054.03	29.30	$236,009.95	1342.34	$39,334.99	.16667	.16667			$39,334.99	.16667	0.00%	
17	5230045950	8403	8265.33	28.22	$233,264.60	1377.53	$38,877.45	.16667	.16667			$38,877.45	.16667	0.00%	
18	5230045950	8404	7527.84	28.30	$212,590.80	1254	$36,231.81	.16671	.16667			$36,231.81	.16667	0.00%	
19	5230045950	8405	7844.81	28.91	$226,812.02	1307.45	$37,802.04	.16666	.16667			$37,802.04	.16667	0.00%	
20	5230045950	8406	7642.30	28.92	$220,902.22	1273.73	$36,831.17	.16667	.16667			$36,831.17	.16667	0.00%	
21	5230045950	8407	7422.33	28.97	$216,970.39	1238.06	$36,161.76	.16667	.16667			$36,161.76	.16667	0.00%	
22	5230045950	8408	7601.09	29.12	$221,354.46	1266.86	$36,889.09	.16667	.16667			$36,889.09	.16667	0.00%	
23	5230045950	8409	6367.72	28.77	$183,172.23	1061.28	$30,528.71	.16667	.16667			$30,528.71	.16667	0.00%	9/28/84 NEW OPERATOR: MOBIL OIL
24	5230045950	8410	7536.85	28.18	$211,787.94	1256.13	$35,297.98	.16667	.16667			$35,297.98	.16667	0.00%	
25	5230045950	8411	5405.82	26.28	$142,102.06	666.88	$22,799.71	.15918	.15932			$22,799.71	.15932	0.00%	
26	5230045950	8412	7737.82	25.73	$199,118.03	1168.71	$29,861.43	.15000	.14997			$29,861.43	.14997	0.00%	
27	5230045950	8501	7235.86	24.70	$178,746.53	1045.44	$26,862.94	.15038	.15029	($951.49)	($408.69)	$25,422.76	.14223	-3.54%	
28	5230045950	8502	5535.23	23.97	$132,798.79	875.88	$19,909.96	.15832	.14993	($286.91)	($394.11)	$18,888.94	.14164	-3.55%	
29	5230045950	8503	6389.86	24.39	$153,072.18	945.81	$23,071.39	.14992	.14974	($815.14)	($425.65)	$21,830.40	.14187	-3.53%	
30	5230045950	8504	6205.50	26.07	$164,684.79	1033.97	$27,786.66	.16667	.16678	($909.62)	($1,395.79)	$25,461.25	.15287	-3.27%	
31	5230045950	8505	5750.36	26.49	$152,347.04	958.58	$25,395.98	.16678	.16678	($633.41)	($1,293.63)	$23,068.74	.15799	-.13%	
32	5230045950	8506	5756.72	26.05	$149,963.23	959.46	$24,994.36	.16667	.16667	($777.00)	($844.13)	$23,373.03	.15586	-3.11%	
33	5230045950	8507	6348.06	25.06	$159,078.50	1023.34	$25,649.30	.16667	.16122	($716.08)		$24,952.42	.16716	-2.79%	
34	5230045950	8508	6170.04	25.30	$156,885.77	1022.34	$25,814.30	.16667	.16667	($745.46)		$25,068.84	.16185	-2.89%	
35	5230045950	8509	6227.44	25.27	$157,316.89	1103.74	$27,066.02	.16667	.16667	($805.17)		$27,020.90	.16155	-2.93%	
36	5230045950	8510	6226.14	25.45	$158,525.79	1038.07	$26,462.63	.16667	.16667	($763.79)		$25,698.84	.16166	-2.89%	
37	5230045950	8511	6276.60	16.82	$105,559.46	1046.14	$17,592.25	.16667	.16667	($10,119.55)		$7,473.70	.07020	-57.52%	
38	5230045950	8512	6294.44	26.49	$166,718.83	1049.08	$27,786.48	.16667	.16667	($884.00)		$26,936.48	.16186	-2.86%	
39	5230045950	8601	6978.82	24.10	$168,177.55	1163.14	$28,829.60	.16667	.16667	($2,989.57)		$25,840.03	.14889	-10.67%	
40	5230045950	8602	6267.16	16.27	$101,969.18	1044.52	$16,994.85	.16667	.16667	($1,843.35)		$15,151.50	.14859	-10.85%	
41	5230045950	8603	7139.76	12.86	$85,854.03	1186.54	$14,309.00	.16667	.16667	($1,579.84)		$12,729.16	.14877	-11.04%	
42	5230045950	8604	6639.94	10.77	$71,499.53	1106.66	$11,914.93	.16667	.16667	($1,345.61)		$10,569.32	.14784	-11.29%	
43	5230045950	8605	5941.72	11.72	$69,621.55	990.28	$11,603.59	.16667	.16667	($1,301.00)		$10,302.59	.14790	-11.21%	
44	5230045950	8606	6093.06	11.91	$72,590.23	1015.52	$12,098.37	.16667	.16667	($1,354.65)		$10,743.72	.14804	-11.20%	
45	5230045950	8607	6195.50	10.87	$67,382.91	1032.58	$10,397.16	.16667	.16667	($1,182.14)		$9,215.02	.14772	-11.37%	
46	5230045950	8608	6143.59	11.79	$72,451.28	1023.92	$12,075.23	.16667	.16667	($1,353.98)		$10,721.25	.14798	-11.21%	
47	5230045950	8609	6209.00	12.81	$79,575.00	1034.98	$13,262.52	.16667	.16667	($1,485.16)		$11,777.36	.14808	-11.20%	
48	5230045950	8610	5765.00	12.33	$71,071.37	960.84	$11,845.22	.16667	.16667	($1,330.48)		$10,514.82	.14795	-11.23%	
49	5230045950	8611	5806.46	12.32	$71,529.09	967.74	$11,921.65	.16667	.16667	($1,339.06)		$10,582.59	.14795	-11.23%	
50	5230045950	8612	5819.10	12.79	$74,401.45	969.86	$12,480.25	.16667	.16667	($1,398.83)		$11,081.42	.14800	-11.20%	
51	5230045950	8701	6213.04	15.23	$94,624.99	1035.5	$15,770.04	.16667	.16667	($1,744.81)		$14,026.03	.14825	-11.06%	
52	5230045950	8702	4903.70	15.60	$76,497.71	817.28	$12,749.61	.16667	.16667	($1,408.40)		$11,341.21	.14826	-11.05%	
53	5230045950	8703	6862.48	15.33	$105,234.20	1143.74	$17,539.04	.16667	.16667	($1,939.59)		$15,599.45	.14824	-11.06%	
54	5230045950	8704	5665.40	15.59	$88,329.07	944.24	$14,729.14	.16667	.16667	($1,626.75)		$13,093.99	.14825	-11.05%	
55	5230045950	8705	5705.84	16.21	$92,438.73	950.84	$15,416.45	.16667	.16667	($1,698.93)		$13,717.32	.14830	-11.02%	
56	5230045950	8706	5607.66	16.83	$95,213.64	947.94	$15,952.27	.16667	.16667	($1,750.00)		$14,190.19	.14834	-11.00%	
57	5230045950	8707	5607.71	18.76	$106,104.10	947.96	$17,704.00	.16667	.16667			$17,704.00	.16667	0.00%	
58	5230045950	8708	5679.63	18.78	$106,691.37	946.61	$17,701.99	.16667	.16667			$17,701.99	.16667	0.00%	8/4/87 NEW OPERATOR: AMERADA
59	5230045950	8709	5620.04	17.92	$100,821.01	947.17	$16,970.17	.16667	.16667			$16,970.17	.16667	0.00%	
60															
61	104025	5230045950		3270.12	22.06	$1,509,425.29	45[illegible]	$1,[illegible]445.49	.15036	.15452	($146,030.97)	($24,047.68)	$1,064,991.97	.14757	-4.79%

NET TRIBAL ROYALTY, TRIBAL 8-12, PAUMBIND FIELD — Date: 11/9/07 — LARRY HONSAN, MINERALS AND TAXES, FORT PECK TRIBES

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	NET TRIBAL ROYALTY, TRIBAL 8-12, PAUMBIND FIELD																	
2																		
3	MMS	TRIBAL	SALES	SALES		SALES		ROYALTY	ROYALTY	ROYALTY RATE		TAX	TRANSPORTATION		NET			
4	REPORT	LEASE #	MONTH	QUANTITY	PRICE	VALUE		QUANTITY	VALUE	FROM	FROM	DEDUCTION	DEDUCTION		ROYALTY	NET ROYALTY RATE	TAX	
5				BARRELS	$ / BBL			BARRELS		QUANTITY	VALUE						RATE	
6		MMS PREFIX			E:F/D					1:G/D	2:H/F				D:M+N,	E:M/D	0:I/D	
7																		
8	SBH1008R	5230045960	0404	2366.42	29.74	$68,045.31	394.35	$11,335.89	.16664	.16667				$11,335.89	.16667	0.00%	ORIGINAL OPERATOR: TRIPCEVICH C	
9	SBH1008R	5230045960	0405	2915.62	29.80	$81,309.99	449.27	$13,551.65	.16667	.16667				$13,551.65	.16667	0.00%		
10	SBH1008R	5230045960	0406	3168.04	30.02	$99,934.28	528.01	$16,655.71	.16667	.16667				$16,655.71	.16667	0.00%		
11	SBH1008R	5230045960	0407	2950.63	28.04	$82,737.72	483.68	$13,739.62	.16398	.16667				$13,739.62	.16667	0.02%		
12	SBH1008R	5230045960	0408	3429.87	29.09	$99,782.45	571.65	$16,630.41	.16667	.16667				$16,630.41	.16667	0.00%		
13	SBH1008R	5230045960	0409	2837.38	28.94	$58,946.99	339.59	$9,827.84	.16666	.16667				$9,827.84	.16667	0.00%	9/29/04 NEW OPERATOR: BHEP,	
14	SBH1008R	5230045960	0410	3055.54	28.07	$85,784.27	509.26	$14,297.30	.16667	.16667				$14,297.30	.16667	0.00%		
15	SBH1008R	5230045960	0411	3476.52	26.22	$91,141.70	600.90	$12,620.12	.13833	.13847				$12,620.12	.13847	0.00%		
16	SBH1008R	5230045960	0412	2940.63	25.60	$76,303.02	417.68	$10,776.10	.14180	.14180				$10,776.10	.14180	0.00%		
17	SBH1008R	5230045960	0501	2647.11	24.00	$63,851.44	378.16	$9,444.75	.14296	.14342	($665.16)	($255.27)		$8,524.28	.12945	-7.04%		
18	SBH1008R	5230045960	0502	2344.77	23.02	$53,966.49	334.97	$7,718.73	.14296	.14303	($537.66)	($226.11)		$6,954.96	.12000	-6.97%		
19	SBH1008R	5230045960	0503	2700.33	24.67	$66,604.79	385.76	$9,525.68	.14296	.14302	($661.04)	($258.28)		$8,604.10	.12918	-6.94%		
20	SBH1008R	5230045960	0504	3148.62	26.82	$84,459.09	524.78	$14,079.38	.16667	.16678	($858.10)	($798.44)		$12,540.76	.14848	-5.90%		
21	SBH1008R	5230045960	0505	2704.67	25.95	$70,183.86	450.78	$11,699.65	.16667	.16670	($721.77)			$10,977.93	.15642	-6.17%		
22	SBH1008R	5230045960	0506	2750.60	25.27	$69,547.46	458.43	$11,580.56	.16667	.16670	($743.18)			$10,845.38	.15604	-6.41%		
23	SBH1008R	5230045960	0507	2701.20	25.87	$67,787.92	450.20	$11,206.91	.16667	.16670	($631.04)			$10,635.87	.15720	-5.56%		
24	SBH1008R	5230045960	0508	1840.41	25.12	$45,677.57	301.73	$7,579.58	.16666	.16667	($437.76)			$7,141.82	.15404	-5.78%		
25	SBH1008R	5230045960	0509	2718.09	25.27	$68,686.74	453.01	$11,447.68	.16666	.16667	($661.02)			$10,786.66	.15704	-5.77%		
26	SBH1008R	5230045960	0510	2278.21	25.51	$58,112.65	379.70	$9,685.42	.16667	.16667	($559.09)			$9,126.33	.15705	-5.77%		
27	SBH1008R	5230045960	0511	2752.97	13.42	$36,936.51	458.83	$6,153.18	.16667	.16672	($6,346.91)			($100.73)	-.00511	-103.06%		
28	SBH1008R	5230045960	0512	2715.26	26.52	$72,000.83	452.54	$12,000.38	.16667	.16667	($691.85)			$11,308.45	.15006	-5.77%		
29	SBH1008R	5230045960	0601	2659.84	23.76	$64,161.13	449.97	$10,693.52	.16667	.16667	($2,202.23)			$8,491.29	.13178	-21.34%		
30	SBH1008R	5230045960	0602	2245.34	16.08	$35,948.40	374.22	$5,990.86	.16667	.16667	($1,300.57)			$4,689.54	.13048	-21.71%		
31	SBH1008R	5230045960	0603	2690.21	11.91	$32,143.21	449.70	$5,357.21	.16667	.16667	($1,183.96)			$4,173.25	.12983	-22.08%		
32	SBH1008R	5230045960	0604	2255.92	10.70	$24,215.74	375.99	$4,052.62	.16667	.16667	($915.28)			$3,137.34	.12985	-22.58%		
33	SBH1008R	5230045960	0605	2683.48	11.85	$31,833.96	447.23	$5,385.64	.16667	.16667	($1,180.55)			$4,117.11	.12733	-22.48%		
34	SBH1008R	5230045960	0606	2210.29	11.90	$26,309.02	368.48	$4,384.97	.16667	.16667	($902.04)			$3,482.93	.12934	-22.43%		
35	SBH1008R	5230045960	0607	2225.70	10.09	$22,449.96	370.96	$3,741.66	.16667	.16667	($854.23)			$2,890.43	.12875	-22.75%		
36	SBH1008R	5230045960	0608	2689.30	11.93	$32,088.87	448.23	$5,348.14	.16667	.16667	($1,198.95)			$4,149.19	.12930	-22.42%		
37	SBH1008R	5230045960	0609	1883.19	12.75	$22,951.72	380.53	$3,831.95	.16667	.16667	($850.54)			$2,973.41	.12933	-22.07%		
38	SBH1008R	5230045960	0610	2256.33	12.35	$27,858.65	376.05	$4,643.14	.16666	.16667	($1,042.87)			$3,784.68	.13525	-22.46%		
39	SBH1008R	5230045960	0611	2700.63	12.31	$33,330.00	451.44	$5,555.00	.16667	.16667	($1,240.01)			$4,512.13	.13538	-22.43%		
40	SBH1008R	5230045960	0612	2367.22	12.92	$29,296.06	377.87	$4,882.67	.16667	.16667	($1,092.44)			$3,634.66	.12407	-22.38%		
41	SBH1008R	5230045960	0701	2272.85	15.10	$34,304.59	378.81	$5,750.76	.16667	.16667	($1,272.73)			$4,657.92	.13099	-22.13%		
42	SBH1008R	5230045960	0702	1882.23	15.59	$28,894.53	300.37	$4,682.42	.16667	.16667	($1,034.55)			$3,689.69	.12136	-22.09%		
43	SBH1008R	5230045960	0703	2657.70	15.42	$41,008.78	449.63	$6,934.79	.16667	.16667	($1,533.23)			$5,900.24	.14189	-22.11%		
44	SBH1008R	5230045960	0704	1795.66	15.59	$27,978.72	299.28	$4,666.45	.16667	.16667	($1,030.99)			$3,133.22	.13191	-22.09%		
45	SBH1008R	5230045960	0705	2277.29	16.10	$35,859.05	379.71	$5,976.64	.16666	.16667	($1,317.05)			$4,945.65	.13792	-22.05%		
46	SBH1008R	5230045960	0706	2219.30	16.00	$37,203.07	369.87	$6,213.84	.16667	.16667	($1,366.65)			$4,895.99	.13132	-21.99%		
47	SBH1008R	5230045960	0707	2230.00	18.05	$42,832.39	371.68	$7,005.40	.16667	.16667				$5,630.75	.13415	0.00%		
48	SBH1008R	5230045960	0708	1789.54	18.90	$33,827.41	298.26	$5,637.07	.16667	.16667				$5,637.07	.16667	0.00%	8/4/07 NEW OPERATOR: ANADAR	
49	SBH1008R	5230045960	0709	1788.70	17.90	$32,014.21	298.17	$5,335.70	.16667	.16667				$5,335.70	.16667	0.00%		
50																		
51	TOTALS	5230045960		105300.50	20.00	$2,199,199.25	17701.10	$357,639.09	.16754	.16762	($35,107.55)	($1,450.20)	$320,142.00		.14557	-9.04%		

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	ROYALTY TRUST ROYALTY, TERRAL HEAD 2-5, PALOMINO FIELD							DATE: 11/9/87		LABOR HANDOW, MINERALS AND TAXES, FORT PECK TRIBES							
2																	
3	DATE	TERRAL	SALES	SALES		SALES	ROYALTY	ROYALTY	ROYALTY RATE		TAX	TRANSPORTATION		NET ROYALTY			
4	DEPOSIT	LEASE #	NUMBER	QUANTITY	PRICE	VALUE	QUANTITY	VALUE	FROM	FROM	REDUCTION	REDUCTION	ROYALTY	RATE	TAX		
5				BARRELS	$ / BBL		BARRELS		QUANTITY	VALUE					RATE		
6		WHS PRIVER			E F/D				I-G/D	J-H/F				M-N/O	O-E/D		
7																	
8	5/01/0000	5230046160	0309	-1060.02		($31,294.19)	-2.94	($81.54)		.00264			($81.54)	.00264	0.00%		OPERATOR, OPERATOR: SUPERIOR OIL
9	5/01/0000	5230046160	0310	1040.01		$33,653.99	90.04	$591.70		.01750			$591.70	.01750	0.00%		
10	5/01/0000	5230046160	0312	-12763.56		($380,751.71)	406.97	$13,856.07		-.03639			$13,856.07	-.03639	0.00%		
11	5/01/0000	5230046160	0401	2439.47		$70,681.04	406.50	$11,700.51		.16667			$11,700.51	.16667	0.00%		
12	5/01/0000	5230046160	0402	2534.21		$74,294.65	401.49	$12,387.77		.16667			$12,387.77	.16667	0.00%		
13	5/01/0000	5230046160	0403	2489.14	29.70	$69,326.95	401.53	$11,554.48	.16667	.16667			$11,554.48	.16667	0.00%		
14	5/01/0000	5230046160	0404	1906.25	29.00	$54,897.30	317.71	$9,149.55	.16667	.16667			$9,149.55	.16667	0.00%		
15	5/01/0000	5230046160	0405	2233.20	29.29	$64,298.50	372.21	$10,716.45	.16667	.16667			$10,716.45	.16667	0.00%		
16	5/01/0000	5230046160	0406	2434.01	29.01	$70,152.71	405.41	$11,692.10	.16667	.16667			$11,692.10	.16667	0.00%		
17	5/01/0000	5230046160	0407	2140.90	28.85	$61,766.92	356.82	$10,294.48	.16667	.16667			$10,294.48	.16667	0.00%		
18	5/01/0000	5230046160	0408	2209.64	29.10	$64,293.62	368.28	$10,715.59	.16667	.16667			$10,715.59	.16667	0.00%		
19	5/01/0000	5230046160	0409	2126.81	29.75	$63,341.11	354.47	$10,590.20	.16666	.16667			$10,590.20	.16667	0.00%		
20	5/01/0000	5230046160	0410	2202.62	29.60	$63,987.87	300.43	$10,663.79	.16666	.16667			$10,663.79	.16667	0.00%		
21	5/01/0000	5230046160	0411	2791.82	26.12	$72,920.07	448.85	$11,507.68	.15762	.15773			$11,502.68	.15773	0.00%		
22	5/01/0000	5230046160	0412	3347.00	25.80	$90,760.60	527.76	$13,616.25	.15806	.15806			$13,616.25	.15806	0.00%		
23	5/01/0000	5230046160	0501	3067.12	24.75	$75,948.36	468.85	$11,409.17	.14997	.15020	($396.48)	($296.00)	$10,856.55	.14254	-3.48%		5/20/84 NEW OPERATOR: MOBIL OIL
24	5/01/0000	5230046160	0502	3077.14	22.75	$69,994.74	441.50	$10,494.56	.15000	.14993	($372.61)	($307.70)	$9,714.65	.14164	-3.55%		
25	5/01/0000	5230046160	0503	4009.06	24.39	$97,795.23	600.35	$14,663.46	.15000	.14994	($510.05)	($270.57)	$13,879.84	.14100	-3.53%		
26	5/01/0000	5230046160	0504	3429.32	26.00	$92,147.00	571.30	$15,341.07	.16666	.16670	($582.05)	($371.30)	$14,068.70	.15287	-3.27%		
27	5/01/0000	5230046160	0505	3423.64	26.40	$90,673.24	570.77	$15,115.73	.16670	.16673		($370.57)	$14,344.91	.15029	0.00%		
28	5/01/0000	5230046160	0506	2760.20	26.56	$73,319.36	460.14	$12,272.37	.16670	.16670	($376.26)	($429.20)	$11,224.94	.15310	-3.02%		
29	5/01/0000	5230046160	0507	3085.97	25.12	$80,825.55	530.50	$13,225.39	.16666	.16652	($372.15)		$12,953.24	.16107	-2.75%		
30	5/01/0000	5230046160	0508	3190.[illegible]	25.12	$70,142.00	531.72	$12,337.02	.16666	.16667	($385.77)		$12,951.30	.16205	-2.89%		
31	5/01/0000	5230046160	0509	3274.04	25.27	$81,471.34	537.34	$13,570.64	.16667	.16667	($392.84)		$13,186.60	.16165	-2.89%		
32	5/01/0000	5230046160	0510	2750.64	25.52	$70,400.50	450.70	$11,733.42	.16667	.16667	($330.65)		$11,394.77	.16166	-2.89%		
33	5/01/0000	5230046160	0511	2540.54	15.94	$37,317.54	390.06	$6,206.26	.16667	.16667	($4,135.57)		$2,070.69	.05541	-66.64%		
34	5/01/0000	5230046160	0512	2540.40	26.52	$67,367.48	390.06	$10,344.57	.16666	.16667	($290.19)		$10,046.38	.16106	-2.88%		
35	5/01/0000	5230046160	0601	2601.54	24.46	$63,519.94	444.92	$11,089.96	.16667	.16667	($1,217.14)		$10,282.84	.14898	-10.64%		
36	5/01/0000	5230046160	0602	1639.02	15.90	$26,062.12	273.10	$4,344.71	.16667	.16667	($47.32)		$3,872.09	.14057	-10.86%		
37	5/01/0000	5230046160	0603	2950.10	12.27	$36,737.66	499.70	$6,131.20	.16667	.16667	($426.15)		$5,455.13	.14829	-11.03%		
38	5/01/0000	5230046160	0604	2341.60	10.82	$25,325.84	402.76	$4,387.64	.16666	.16667	($362.02)		$4,024.62	.14345	-11.29%		
39	5/01/0000	5230046160	0605	3310.50	11.70	$37,640.48	536.47	$6,270.74	.16667	.16667	($303.63)		$5,571.11	.14798	-11.21%		
40	5/01/0000	5230046160	0606	2711.60	12.02	$32,633.72	454.94	$5,430.95	.16667	.16667	($400.49)		$4,830.46	.14007	-11.19%		
41	5/01/0000	5230046160	0607	3221.30	10.13	$32,905.84	613.30	$6,214.17	.16667	.16667	($406.12)		$5,508.05	.14773	-11.36%		
42	5/01/0000	5230046160	0608	3220.06	12.09	$38,917.97	538.48	$6,486.33	.16667	.16667	($275.06)		$5,700.47	.14002	-11.19%		
43	5/01/0000	5230046160	0609	2776.76	12.95	$35,950.06	467.71	$5,991.68	.16667	.16667	($670.42)		$5,321.26	.14002	-11.19%		
44	5/01/0000	5230046160	0610	3229.12	12.35	$39,873.64	538.18	$6,646.61	.16666	.16667	($246.42)		$5,902.19	.14755	-11.23%		
45	5/01/0000	5230046160	0611	3916.22	12.35	$45,920.07	619.70	$7,453.35	.16667	.16667	($659.46)		$6,793.89	.14795	-11.23%		
46	5/01/0000	5230046160	0612	3271.22	12.92	$42,267.44	545.70	$7,044.61	.16667	.16667	($240.37)		$6,756.74	.14801	-11.19%		
47	5/01/0000	5230046160	0701	2395.10	15.27	$32,677.76	665.85	$7,112.12	.16667	.16667	($296.73)		$6,325.30	.14223	-11.06%		
48	5/01/0000	5230046160	0702	2779.40	15.60	$43,352.62	663.24	$7,226.43	.16667	.16667	($290.72)		$6,423.15	.14076	-11.05%		
49	5/01/0000	5230046160	0703	3641.02	15.47	$56,339.66	606.84	$9,309.91	.16667	.16667	($1,037.81)		$8,352.10	.14025	-11.05%		
50	5/01/0000	5230046160	0704	2968.20	15.60	$43,103.32	661.30	$7,197.56	.16667	.16667	($395.09)		$6,489.47	.14026	-11.05%		
51	5/01/0000	5230046160	0705	2764.12	16.12	$44,579.74	460.42	$7,454.95	.16666	.16667	($429.63)		$6,633.30	.14630	-11.07%		
52	5/01/0000	5230046160	0706	2263.06	16.90	$38,059.90	377.32	$6,339.90	.16667	.16667	($357.20)		$5,642.70	.14954	-11.08%		
53	5/01/0000	5230046160	0707	2759.19	18.73	$51,683.25	459.86	$8,614.90	.16666	.16667			$8,614.90	.16667	0.00%		
54	5/01/0000	5230046160	0708	2736.60	18.60	$51,486.03	456.10	$8,501.01	.16667	.16667			$8,501.01	.16667	0.00%		8/1/87 NEW OPERATOR: [illegible]
55	5/01/0000	5230046160	0709	2299.41	17.85	$41,041.01	383.35	$6,840.17	.16666	.16667			$6,840.17	.16667	0.00%		
56																	
57	TOTALS	5230046160		114000.70	19.64	$2,235,652.31	20347.44	$443,877.68	.18791	.19852	($21,242.21)	($2,847.25)	$419,208.12	.18754	-6.90%		

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
60	SUMMARY TOTALS FOR THE FOUR FALUNDO WELLS, THROUGH SEPT., 1987 SALES															
61																
62	[illegible] NO. 4, MINERALS AND TAXES, FORT PECK TRIBES															
63																
64	MMS	TRIBAL	SALES	SALES		SALES	ROYALTY	ROYALTY	ROYALTY RATE		TAX	TRANSPORTATION		NET	NET ROYALTY	
65	REPORT	LEASE #	MONTH	QUANTITY	PRICE	VALUE	QUANTITY	VALUE	FROM	FROM	DEDUCTION	DEDUCTION		ROYALTY	RATE	TAX
66				BARRELS	$ / BBL		BARRELS		QUANTITY	VALUE						RATE
67		MMS PREFIX			E=F/D				I=G/D	J=H/F	BY MOBIL	BY MOBIL		M=H-L	M=N/F	O=I/H
68																
69	SHOLDER	5230045930	ALL	48576.77	$19.61	$940,453.81	7962.45	$155,635.61	.16459	.16409	($16,320.30)	($471.07)	$130,836.24	.14630	-10.49%	
70																
71	SHOLDER	5230045930	ALL	312240.12	$22.06	$6,889,405.29	49352.89	$1,066,645.49	.15806	.15402	($46,818.92)	($4,842.60)	$1,014,991.97	.14732	-4.39%	
72																
73	SHOLDER	5230045900	ALL	105300.54	$20.00	$2,199,199.25	17280.18	$357,639.09	.16334	.16262	($35,197.55)	($1,450.20)	$320,142.80	.14557	-9.84%	
74																
75	SHOLDER	5230046160	ALL	114000.78	$19.61	$2,235,652.31	21342.44	$443,827.60	.18721	.19852	($21,762.23)	($2,847.25)	$419,218.12	.18751	-4.98%	
76																
77	TOTALS			579954.21		$12,272,790.66	95858.96	$2,023,747.79	.16529	.16490	($120,089.00)	($9,611.12)	$1,893,189.13	.15426	-5.93%	

UNITED STATES GOVERNMENT

memorandum

DATE: December 17, 1987

REPLY TO ATTN OF: Realty Oil & Gas

SUBJECT: Audit Request Nos. FP#2-12/87, FP#3-12/87, FP#4-12/87, FP#5-12/87 and FP#6-12/87

TO: Area Director, Billings Area
Attn; Real Property Management/Code 370, Realty Officer

FROM: Superintendent, Fort Peck Agency

Attached are necessary documentation, which is available to this Agency, requesting audits to be conducted on wells contained in B.I.A. Oil & Gas Lease Contract Nos. 14-20-0256-4579, -4592, -4595, -4596 and -4616.

Additionally, we are attaching the request packet which was submitted by the Fort Peck Assiniboine & Sioux Tribes. Notice of First Production Reports have been included for leases which are available.

If any further information is needed, please advise.

Superintendent

Attachments - FP#2-12/87 Packet
FP#4-12/87 Packet
FP#3-12/87 Packet
FP#5-12/87 Packet
FP#6-12/87 Packet

cc: Raymond White Tail Feather, Chairman, Fort Peck Tribes, Poplar, Montana 59255
Lawrence Wetsit, Tribal Minerals & Tax Administration, Director, Poplar, Montana 59255

DEC 1987

Exhibit F-3
to
Raymond White Tail Feather
Statement of
July 12, 1988

```
03/2[illegible]/88                STATE AND TRIBAL SUPPORT SYSTEM                SAT110QR
14:37:23                  DESK REVIEW/AUDIT REQUEST INQUIRY                        OK

AUDIT REQUEST #     : 000213              AUDIT STATUS       : OP OPEN
[illegible] RECORD #      : C56-0180001         BIA PRIORITY       : 1
[illegible]A DESK REVIEW #  :                   CONTACT TYPE CODE  : MA MAIL
ORIGINATION DATE    : 12/14/87            INQUIRY CODE       : FI  FINANCIAL
ORIGINATING SITE    : BBI4 BIA-FT. PECK AGENCY
PERIOD IN QUESTION  : 01/85 THRU: 02/88   TRIBE/ALLOTTEE     : T/A
RESOLUTION DATES                          RESERVATION        : FTP
  ESTIMATED         :                     IIM ACCOUNT NUMBER:
  MMS ACTUAL        :                     CENSUS NUMBER      :
  BIA ACTUAL        :                     AUDIT ?            : N
                                          AUDIT PERIOD FROM  :        TO:
REQUESTER: JAY DANIELS                    TOTAL FINDING AMT  :
           PO BOX 637
                                          ACTIONS ?          : N
           POPLAR          MT 59255       COMMENTS ?         : N
           ( 406 ) 768-5112               FINANCIAL COMMENT?: N
-----------------------------------------------------------------------------
        ENTER OPTION =>
                        1. ACTIONS                        <PF10> - COMMENTS
                        2. LEASES FOR AUDIT REQUEST

To exit, press <F9>                                                  CAPS

03/22/88                  STATE AND TRIBAL SUPPORT SYSTEM                SAT112QR
14:41:50                     LEASES FOR AUDIT REQUEST                       OK

AUDIT REQUEST #     : 000213  BIA RECORD #: C56-0180001  STATUS: OP OPEN
[illegible]GINATING SITE   : BBI4    BIA-FT. PECK AGENCY
-----------------------------------------------------------------------------
*   MMS LEASE #   LOCATION                                  BIA CONTRACT #
    523-004579-0  SE4SE4SEC31S2SEC32T31NR44EVALLEYCO.MT     14-20-0256-4579
    523-004592-0  NE4NE4SEC7T29NR49EROOSEVELTCO.MT          14-20-0256-4592
    523-004595-0  NW4NE4,S2NE4,N2SE4T29NR49EROOSEVELTCO.MT  14-20-0256-4595
    523-004596-0  W2SEC8T29NR49EROOSEVELTCO.                14-20-0256-4596
    523-004616-0  S2SEC5T29NR49EROOSEVELTCO.MT              14-20-0256-4616

-----------------------------------------------------------------------------
* ENTER CHARACTER FOR DATA TO SELECT:
L - LEASE DATA
F - FINANCIAL DATA                                                  PAGE: 0001
LAST PAGE OF DETAILS HAS BEEN DISPLAYED.
To exit, press <F9>                                                  CAPS
```

Exhibit F-4
to
Raymond White Tail Feather
Statement of
July 12, 1988

```
03/22/88                    STATE AND TRIBAL SUPPORT SYSTEM                    SAT190QR
14:43:44                         ALL PAYORS FOR LEASE                             OK

AUDIT REQUEST # : 000213  BIA RECORD #: C56-0180001   STATUS: OP OPEN
ORIGINATING SITE: BBI4    BIA-FT. PECK AGENCY
B LEASE #       : 523-004579-0   SE4SE4SEC31S2SEC32T31NR44EVALLEYCO.MT
-----------------------------------------------------------------------------
 PAYOR #          PAYOR NAME
  39795           INVALID CODE - USE CODE 39832
  39830           SUN EXPLORATION DIVISION
  39832           SUN PRODUCTION DIVISION
  50430           TEXACO TRADING&T NSPORTATION **

                                                                        PAGE: 0001
NO MORE PAYORS FOR THIS LEASE.
To exit, press (F9)                                                      CAPS
```

```
03/22/88                    STATE AND TRIBAL SUPPORT SYSTEM                    SAT190QR
14:47:13                         ALL PAYORS FOR LEASE                             OK

AUDIT REQUEST # : 000213  BIA RECORD #: C56-0180001   STATUS: OP OPEN
ORIGINATING SITE: BBI4    BIA-FT. PECK AGENCY
B LEASE #       : 523-004592-0   NE4NE4SEC7T29NR49ER00SEVELTCO.MT
-----------------------------------------------------------------------------
 PAYOR #          PAYOR NAME
  10840           PHILLIPS PETROLEUM COMPANY
  10851           AMINOIL INC.
  21910           BHP PETROLEUM (AMERICAS) INC.
  38553           MOBIL OIL CORPORATION
  39930           MOBIL OIL AGT.MOBIL E&P NA,INC
  11633           AVALON ENERGY
  50430           TEXACO TRADING&TRANSPORTATION

                                                                        PAGE: 0001
NO MORE PAYORS FOR THIS LEASE.
To exit, press (F9)                                                      CAPS
```

```
03/22/88                STATE AND TRIBAL SUPPORT SYSTEM                SAT190QR
14:48:51                     ALL PAYORS FOR LEASE                        OK

AUDIT REQUEST # : 000213  BIA RECORD #: C56-0180001   STATUS: OP OPEN
ORIGINATING SITE: BBI4    BIA-FT. PECK AGENCY
MAJ LEASE #     : 523-004595-0   NW4NE4,S2NE4,N2SE4T29NR49EROOSEVELTCO T
-----------------------------------------------------------------------------
 PAYOR #        PAYOR NAME
  10840         PHILLIPS PETROLEUM COMPANY
  38553         MOBIL OIL CORPORATION
  39930         MOBIL OIL AGT.MOBIL E&P NA,INC
  11633         AVALON ENERGY
  21910         BHP PETROLEUM (AMERICAS) INC.
  50430         TEXACO TRADING&TRANSPORTATION
  77030         GETTY TRADING & TRANSPORTATION

                                                                   PAGE: 0001
NO MORE PAYORS FOR THIS LEASE.
To exit, press (F9)                                                CAPS

03/22/88                STATE AND TRIBAL SUPPORT SYSTEM                SAT190QR
14:50:11                     ALL PAYORS FOR LEASE                        OK

AUDIT REQUEST # : 000213  BIA RECORD #: C56-0180001   STATUS: OP OPEN
ORIGINATING SITE: BBI4    BIA-FT. PECK AGENCY
MAJ LEASE #     : 523-004596-0   W2SEC8T29NR49EROOSEVELTCO.
-----------------------------------------------------------------------------
 PAYOR #        PAYOR NAME
  10840         PHILLIPS PETROLEUM COMPANY
  38553         MOBIL OIL CORPORATION
  39930         MOBIL OIL AGT.MOBIL E&P NA,INC
  44733         PHILLIPS PETROLEUM COMPANY
  11633         AVALON ENERGY
  50430         TEXACO TRADING&TRANSPORTATION
  44730         PHILLIPS PETROLEUM CO.

                                                                   PAGE: 0001
NO MORE PAYORS FOR THIS LEASE.
To exit, press (F9)                                                CAPS
```

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03/22/88                    STATE AND TRIBAL SUPPORT SYSTEM                    SAT190QR
14:51:41                          ALL AYORS FOR LEASE                            OK

AUDIT REQUEST # : 000213  BIA RECORD #: C56-0180001   STATUS: OP OPEN
 ORIGINATING SITE: BBI4    BIA-FT. PECK AGENCY
MMS LEASE #      : 323-004616-0   S2SEC5T29NR49EROOSEVELTCO.MT
-----------------------------------------------------------------------------
 PAYOR #          PAYOR NAME
  10840           PHILLIPS PETROLEUM COMPANY
  21910           BHP PETROLEUM (AMERICAS) INC.
  38553           MOBIL OIL CORPORATION
  39930           MOBIL OIL AGT.MOBIL E&P NA,INC
  11633           AVALON ENERGY
  50430           TEXACO TRADING&TRANSPORTATION
  77030           GETTY TRADING & TRANSPORTATION

                                                                    PAGE: 0001
NO MORE PAYORS FOR THIS LEASE.
To exit, press <F9>                                                  CAPS
```

FORT PECK TRIBAL EXECUTIVE BOARD

P.O. Box 1027 Poplar, MT 59255

May 18, 1988

Mr. William Trujillo
Office of External Affairs
Royalty Management Program
Minerals Management Service
Box 25165, MS 651
Denver Federal Center
Denver, CO 80225

Dear Mr. Trujillo:

The purpose of this letter is to request an audit for the following Tribal leases for FY87:

	MMS Lease Number	Reason for Audit
1.	5230045780	Tax deductions and incorrect sales and royalty
2.	5230045790	Tax deductions
3.	5230059920	Tax deductions
4.	East Poplar Unit a. 622-013046-0 b. 622-013061-0 c. 622-013066-0 d. 622-013067-0 e. 622-013081-0	Incorrect sales and royalty

The audit is requested for two general reasons: 1) Taxes have been deducted from three of the Tribal leases; 2) Apparent, incorrect sales and royalty numbers appear on the MMS report SRH100BR.

Tax Deductions

Table 1 lists the FY87 tax deductions from Tribal oil royalties as reported on MMS report SRH100BR. Four of the leases included on that table are part of a current audit request (#213) which was submitted to the BIA in December of 1987. Because of the lack of progress on that request, the Fort Peck Tribes are submitting this audit request directly to the MMS in hopes of receiving a prompt response. The leases included in our earlier audit request are 5230046160, 4592, 4595 and 4596. More

Assiniboine & Sioux Tribes

Exhibit C-1
to
Raymond White Tail Feather
Statement of
July 12, 1988

Mr. William Trujillo
May 18, 1988
Page 2

than $100,000 in tax deductions from our royalties were removed for these leases by Mobil Oil. We certainly expect an explanation as to why and how this happened and request an immediate return of our rightful royalties. The new leases included in this audit request add another $4,206.53 to the tax deduction. Lease #5230045780 has continued tax deductions into FY88.

Incorrect Sales and Royalty

Table 2 lists two leases which have incorrect sales and royalty figures on MMS report SRH100BR. Lease #5230045780 is also included in an earlier audit request (by the allotted interest in the wells). For FY86 it appeared that the operator of the lease, C. Lee Mueller, was incorrectly adding sales from a well on an adjacent lease (#523004579) to the report for lease #523004578. This caused the 4578 lease to have inflated numbers and lease 4579 to have deflated numbers. However, the differences for each lease were not equal (see audit request #213). In FY87, Lease #4579 appears fine since Mueller's well can be tracked by separate entries. However, for Lease #4578 the reported MMS sales quantity is 188% of the reported BLM sales (Form 3160). The reported MMS royalty value is 1891% of the pre-year estimate and 3368% of the post-year estimate based on BLM sales figures and average oil prices for the year. Obviously, something is not correct and it is highly unlikely that the Tribes received such high royalties. Please correct this reporting problem immediately.

The second lease listed on Table 2 actually represents the 5 Tribal lease numbers which belong to the East Poplar Unit. We suggest that sales and royalties have somehow been interchanged and that the correct royalties were actually paid. The reported MMS sales total for the East Poplar Unit in FY86 was about 20% of the gross sales, which is the Tribes' interest. In FY 87, the reported sales quantity is about equal to the expected royalty quantity. When the royalty is calculated, the value is much too small ($48,276.82). Royalty revenue as reported by the BIA and the MMS (check transaction listings) appears correct, so why the reporting problem on SRH100BR?

We expect action immediately on our earlier request which involved more than $100,000 in lost revenues to the State of Montana. The MMS, as our financial trustee, should help the Fort Peck Tribes quickly recover that money. We should not have to go to the State of Montana. Mobil Oil should be required to send the money now and worry about refunds from the State on their own time.

Mr. William Trujillo
May 18, 1988
Page 3

Tax deductions have continued with other operators, as documented in this audit request. Please respond quickly to this request. The accounting for Lease #4578 is grossly inaccurate. This operator must be brought into line.

Sincerely,

Raymond White Tail Feather

Raymond White Tail Feather
Chairman
Assiniboine & Sioux Tribes

xc: Superintendent, Fort Peck Agency
Chairman, Tribal Oil and Gas Committee
Sonosky, Chambers and Sachse

LMM

TABLE 1

Exhibit G-2
to
Raymond White Tail Feather
Statement of
July 12, 1988

[illegible]

[illegible]	[illegible]
[illegible] total	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] total	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] total	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] total	[illegible]
[illegible] total	[illegible]

TABLE 2: FY07 OIL REVENUE ANALYSIS SPECIFICATIONS 05/11/00

REVENUE FY 07 OIL REVENUE COMPARISON OF ESTIMATE TO ACTUAL

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
WELL NAME	FY07 EST. SALES	EST. MON. SALES	EST. EXPENSES (TRIBAL SHARE)	EST. TRIBAL REVENUE (C*(1)-D)	BLN ORD ACTUAL OIL SALES (3/00)	ACCURACY IN % R/F	BLN-ORD REPORTED SALES BARRELS (3/00)	SALES/ PROD (%) R/F	ORD CIT SALES (3/00)	ORD SALES VALUE SUBMITTED	ORD QUALITY LACE SUBMITTED	ORD QUALITY VALUE (%) SUBMITTED	ORD SALES/ ORD SALES % J/H	ACT.REV/ EST.REV % R/E	ACT.REV- EST.REV $ R-E	CALC. ORD QUALITY R/T	CALC. ORD PRICE R/J	EST. REV. FROM BLN SALES (BLN SALES)	EST. TRIBAL BARRELS (BLN SALES)	DIFF. ORD SALES AND BLN EST. A/E-S
																			$115.22/BBL	$/15.22	
NUMBER 1 (0 4570)	30413	1682	90	$74,007	14436	133.713	30405	90.330	40790	$84,407	40405	$132,304	117.599	$80.122	$65,474.18	0.0000	$14.84	$20,554.30		$300	$47,729.72
NUMBER 2 (0 4570)	30412	839	90	$17,500	14532	131.542															
EAST POPLAR WELL	145700	4000	90	$40,152	156792	105.408	156505	90.000	4715	$74,400	300	$0.330	3.862	15.400	$58,042.00	0.0250	$15.00	$57,506.02		$300	$48,376.00

FORT PECK TRIBAL EXECUTIVE BOARD
P.O. Box 1027 Poplar, MT 59255

May 19, 1988

Mr. Dennis Whiteman
Fort Peck Agency
P. O. Box 637
Poplar, MT 59255

Dear Mr. Whiteman:

Enclosed you will find a comparison of Tribal oil royalties reported by the BIA Summary of Trust Funds and the MMS report AIN081R. For FY87 the correlation is good with the following exceptions and observations:

1. Rents are included in both sources, the BIA reports some rentals in a separate account. The MMS has no code to distinguish them on this report.

2. Some of the matched MMS totals were calculated from 2 or 3 same-date entries. These represent different payors and leases in most cases which is a confusing audit obstacle. The correlation, however, is surprisingly similar.

3. The BIA total exceeds the MMS total by $28,758.72 when matched entries are compared. This is to the Tribes' benefit, but not very good correlation for auditing purposes. The difference is an entry reported by the BIA in October of 1988 for a 1-29-88 document date (9 months late!). Note that the unmatched MMS entries are almost all from Sun Oil and were from the December AIN081R reports. Totals could not be matched to the $28,758.72, but it's suspected that the first half of the Sun Oil entries belong to that figure. The second half of the unmatched Sun Oil entries ($29,343.01) have not been listed on the BIA summaries sent to the Tribes as of 3-30-88. When was the first amount actually deposited in the Tribal accounts? Why has the second amount not been reported by the BIA?

Mr. Dennis T. Whiteman
May 19, 1988
Page 2

We ask the BIA to explain the two royalty discrepancies noted. For auditing purposes, we request that rentals always be kept separate from royalties and that same-date royalty payments be listed separately, especially when different payors and leases are involved.

Sincerely,

Raymond White Tail Feather

Raymond White Tail Feather
Chairman
Assiniboine & Sioux Tribes

Chairman, Tribal Oil and Gas Committee

LMM

BALANCED

FINAL REPORT AND APPROPRIATE

NOTE: INCLUDE CHECKS TRANSACTIONS ALREADY

NAME	DESCRIPTION	ACCT.	AMOUNT	CK. AMOUNT	DEC. DATE	PAYEE NAME	AMOUNT	DEC. DATE	PAYEE NAME	AMOUNT	DEC. DATE	PAYEE NAME	AMOUNT	DEC. DATE	PAYEE NAME
10-27-86	[illegible]	5943	11,754.97	11,754.97	10-27-86	TEXACO INC									
10-29-86	[illegible]	5943	1500.27	1500.27		SLB									
10-29-86	[illegible]	5943	16,939.27	16,939.27	10-29-86	SBC									
10-30-86	[illegible]	5943	1540.00	1540.00	10-30-86	TEXAS POWER, INC.									
10-31-86	[illegible]	5943	113,796.48	113,796.48			7322.86	10-31-86	ALBERT OIL	5474.24	10-31-86	AMERICAN NESS			
10-31-86	[illegible]	5943	11,810.10	11,810.10	10-31-86	PHILLIPS PET.									
10-31-86	[illegible]	5943	117,600.16	117,600.16	10-31-86	[illegible] OIL									
10-31-86	[illegible]	5943	11,009.37	11,009.37		[illegible] OIL									
11-10-86	[illegible]	5943	1459.00	1459.00	11-10-86	[illegible] OIL									
10-15-86	[illegible]	5943	11,663.86	11,663.86	11-15-86	TEXACO INC									
10-16-86	[illegible]	5943	17,175.25	17,175.25		SBC									
11-26-86	[illegible]	5943	14,357.37	14,357.37	11-26-86	SBC									
11-20-86	[illegible]	5943	17,910.99	17,910.99	11-20-86	[illegible] OIL									
12-1-86	[illegible]	5943	16,646.80	16,646.80	12-1-86	AMERICAN NESS									
12-1-86	[illegible]	5943	11,621.34	11,621.34	12-1-86	PHILLIPS PET.									
12-1-86	[illegible]	5943	112,991.41	112,991.41	12-1-86	[illegible] OIL									
12-1-86	[illegible]	5943	112,991.41	112,991.41	12-1-86	[illegible] PET.									
12-1-86	[illegible]	5943	(112,991.41)	(112,991.41)		[illegible] OIL									
12-1-86	[illegible]	5943	11,838.42	11,838.42		[illegible] OIL									
12-8-86	[illegible]	5943	1400.00	1400.00			300	12-8-86	[illegible] OIL	50	12-8-86	[illegible]	250	12-8-86	[illegible] OIL
12-8-86	[illegible]	5943	1430.00	1430.00	12-8-86	SBC									
12-15-86	[illegible]	5943	(1250.00)	(1250.00)		[illegible]									
12-15-86	[illegible]	5943	1650.00	1650.00	12-15-86	TEXAS PRODUCTION									
12-31-86	[illegible]	5943	17,700.25	17,700.25			1325.50	12-31-86	AMERICAN NESS	1377.47	12-31-86	TEXACO INC			
12-31-86	[illegible]	5943	17,347.30	17,347.30	12-31-86	[illegible] OIL									
12-31-86	[illegible]	5943	16,254.93	16,254.93	12-31-86	SBC									
12-31-86	[illegible]	5943	115,715.45	115,715.45			1640.24	12-31-86	PHILLIPS PET.	14471.24	12-31-86	[illegible] OIL			
12-31-86	[illegible]	5943	1303.87	1303.87		SBC									
12-31-86	[illegible]	5943	11,079.30	11,079.30		[illegible] OIL									
1-8-87	[illegible]	5943	1750.00	1750.00	1-8-87	[illegible] OIL									
1-29-87	[illegible]	5943	110,710.77												
1-29-87	[illegible]	5943	1470.65	1470.65	1-29-87	TEXACO INC									
1-30-87	[illegible]	5943	121.74	121.74	1-30-87	[illegible] OIL									
1-30-87	[illegible]	5943	114,170.99	114,170.99			1585.5	1-30-87	TEXACO INC	2596.06	1-30-87	[illegible] OIL	4320.43	1-30-87	SBC
1-30-87	[illegible]	5943	12,897.35	12,897.35		SBC									
2-2-87	[illegible]	5943	1200.00	1200.00	2-2-87	PHILLIPS PET.									
2-2-87	[illegible]	5943	111,884.57	111,884.57			7045.20	2-2-87	AMERICAN NESS	4441.39	2-2-87	[illegible] OIL			
2-2-87	[illegible]	5943	11,441.60	11,441.60	2-2-87	PHILLIPS PET.									
2-2-87	[illegible]	5943	12,690.71	12,690.71		[illegible] OIL									
2-6-87	[illegible]	5943	150.00	150.00	2-6-87	[illegible] PER.									
2-11-87	[illegible]	5943	1317.19	1317.19	2-23-87	[illegible] OIL OF CO.									
2-25-87	[illegible]	5943	12,170.04	12,170.04		SBC									
2-27-87	[illegible]	5943	165,067.01	165,067.01			5237.39	2-27-87	SBC	5264.40	2-27-87	TEXACO INC	9412.94	2-27-87	[illegible] OIL
3-2-87	[illegible]	5943	17,102.74	17,102.74	3-2-87	AMERICAN NESS									
3-2-87	[illegible]	5943	11,700.54	11,700.54	3-2-87	PHILLIPS PET.									
3-2-87	[illegible]	5943	10,960.37	10,960.37	3-2-87	[illegible] OIL									
3-2-87	[illegible]	5943	13,303.75	13,303.75		[illegible] OIL									
3-4-87	[illegible]	5943	1489.34	1489.34	3-4-87	TEXACO INC									

PAYROLL

FIRST NEWS AND DRAFTING — ONE DOLLAR CHECK TRANSACTIONS ACCRUED

DATE	DESCRIPTION	ACCT.	AMOUNT	ELECTRONIC CK. AMOUNT	REC. DATE	PAYEE NAME	AMOUNT	REC. DATE	PAYEE NAME	AMOUNT	REC. DATE	PAYEE NAME	AMOUNT	REC. DATE	PAYEE NAME
3-12-87	[illegible]	5943	$450.00	$400.00	3-12-87	SUPERIOR OIL									
3-12-87	[illegible]	5943	$175.00	$175.00		SUPERIOR OIL									
3-16-87	[illegible]	5943	$96.00	$96.00	3-16-87	DAD									
3-16-87	[illegible]	5943	$450.00	$450.00		SUN									
3-31-87	[illegible]	5943	$26,179.34	$26,179.34			$1082.94	3-31-87	SUN	$884.50	3-31-87	AMERICAN NEWS	$4140.99	3-31-87	SEATTLE OIL
3-31-87	[illegible]	5943	$64,011.37	$64,011.37			$220.53	3-31-87	TEXACO INC	$1192.84	3-31-87	SHERPY OIL			
3-31-87	[illegible]	5943	$4,683.94	$4,683.94	3-31-87	PHILLIPS PET.									
3-31-87	[illegible]	5943	$3,893.73	$3,893.73		SUN									
3-31-87	[illegible]	5943	$4,988.30	$4,988.30		B.B.R. OIL									
3-31-87	[illegible]	5943	$530.96	$530.97		UNION OIL OF CA									
4-14-87	[illegible]	5943	$200.00	$200.00	4-14-87	SUPERIOR OIL									
4-30-87	[illegible]	5943	$93,105.94	$93,105.94			$420.[illegible]	4-30-87	AMERICAN NEWS	[illegible]	4-30-87	[illegible]	$420.[illegible]	4-30-87	SUN
4-30-87	[illegible]	5943	$6,837.37	$6,837.37			2572.93	4-30-87	TEXACO INC	4259.34	4-30-87	PHILLIPS PET.			
4-30-87	[illegible]	5943	$19,010.43	$19,010.43	4-30-87	[illegible] OIL									
4-30-87	[illegible]	5943	$3,004.30	$3,004.30		SUN									
4-30-87	[illegible]	5943	$1,408.71	$1,408.71		B.B.R. OIL									
5-1-87	[illegible]	5943	$90.00	$90.00	5-1-87	PHILLIPS PET.									
5-11-87	[illegible]	5943	$500.00	$500.00	5-11-87	ARAMAC CORP.									
5-19-87	[illegible]	5943	$93.38	$93.38	5-19-87	PHILLIPS PET									
5-29-87	[illegible]	5943	$25,719.79	$25,719.79			$875.50	5-29-87	SUN	14[illegible].19	5-29-87	SHERPY OIL	$439.80	5-29-87	TEXACO INC
5-29-87	[illegible]	5943	$405.00	$405.00		SUN									
5-29-87	[illegible]	5943	$40.60	$40.60		SHERPY OIL									
5-29-87	[illegible]	5943	($40.50)	($40.50)		SHERPY OIL									
6-1-87	[illegible]	5943	$6,866.13	$6,866.13	6-1-87	AMERICAN NEWS									
6-1-87	[illegible]	5943	$17,905.47	$17,905.47			$3389.06	6-1-87	SAFEX CORP.	4[illegible].80	6-1-87	PHILLIPS PET.			
6-1-87	[illegible]	5943	$1,230.42	$1,230.42		OTHER OIL									
6-2-87	[illegible]	5943	$257.31	$240.31		UNION OF CA									
6-5-87	[illegible]	5943	$100.00	$100.00	6-5-87	SHERPY OIL									
6-25-87	[illegible]	5943	$404.43	$404.43			454.43	6-25-87	UNION OIL OF CA	250	6-25-87	EXXON CO.			
6-29-87	[illegible]	5943	$12,432.54	$12,432.54			3[illegible].26	6-29-87	TEXACO INC	[illegible]	6-29-87	SUN			
6-29-87	[illegible]	5943	$528.53	$528.53		SUN									
6-30-87	[illegible]	5943	$10,372.10	$10,372.10			1[illegible].9	6-30-87	SHERPY	3[illegible].30	6-30-87	AMERICAN NEWS			
6-30-87	[illegible]	5943	$20,540.27	$20,540.27			4[illegible].4	6-30-87	PHILLIPS PET.	14[illegible].37	6-30-87	BRAR OIL			
6-30-87	[illegible]	5943	$1,240.79	$1,240.79		BRAR OIL									
7-6-87	[illegible]	5943	$305.00	$305.00	7-6-87	EXXON CO.									
7-9-87	[illegible]	5943	$14.30	$14.30			[illegible].53	7-9-87	SUPERIOR OIL	3.3	7-9-87	SUPERIOR OIL			
7-17-87	[illegible]	5943	$500.00	$500.00	7-17-87	SUNOC OIL									
7-31-87	[illegible]	5943	$6,357.46	$6,357.46	7-31-87	AMERICAN NEWS									
7-31-87	[illegible]	5943	$29,781.16	$29,780.16			3[illegible].[illegible]	7-31-87	TEXACO INC	[illegible]	7-31-87	SHERPY OIL	[illegible]	7-31-87	SUN
7-31-87	[illegible]	5943	$22,163.40	$22,163.40			17[illegible].40	7-31-87	BRAR OIL	4[illegible].91	7-31-87	PHILLIPS PET.			
7-31-87	[illegible]	5943	$333.36	$333.36		UNION OIL CO. OF CA									
7-31-87	[illegible]	5943	$459.89	$459.89		SUN	0.00		TEXACO INC						
7-31-87	[illegible]	5943	$1,275.65	$1,275.65		BRAR OIL									
8-10-87	[illegible]	5943	$200.00	$200.00		SHERPY OIL									
8-10-87	[illegible]	5943	$130.00	$130.00	8-10-87	SUN									
8-24-87	[illegible]	5943	$3,889.02	$3,889.02	8-24-87	TEXACO INC									
8-26-87	[illegible]	5943	$24,334.29	$24,334.29	8-26-87	ATLAS EXPRESS									
8-28-87	[illegible]	5943	$2,747.17	$2,747.17	8-28-87	TEXACO INC									

FY 87 OIL REVENUE [illegible] [illegible]

[illegible]

FY87 RENTS AND ROYALTIES [illegible] [illegible] CREEK TRANSACTIONS [illegible]

DIA SUMMARY DATE	DOCUMENT	ACCT.	AMOUNT	MATCHED CL. AMOUNT	DOC. DATE	PAYOR NAME	AMOUNT	DOC. DATE	PAYOR NAME	AMOUNT	DOC. DATE	PAYOR NAME	AMOUNT	DOC. DATE	PAYOR NAME
9-31-87	[illegible]	9943	$4,661.69	$4,661.69	9-31-87	PHILLIPS PET.									
9-31-87	[illegible]	9943	$574.24	$574.24		SUN									
9-30-87	[illegible]	9943	$23,030.36	$23,030.36	9-30-87	AVALON ENERGY									
9-30-87	[illegible]	9943	$8,702.50	$8,702.50	9-30-87	SUN									
9-30-87	[illegible]	9943	$7,360.39	$7,360.39			3337.36	9-30-87	TEXACO TAX	4002.63	9-30-87	ANTIGUA NESS			
9-30-87	[illegible]	9943	$15,999.30	$15,999.30	9-30-87	[illegible] OIL									
9-30-87	[illegible]	9943	$5,456.79	$5,456.79	9-30-87	PHILLIPS PET.									
	DIA TOTAL		$635,625.43	$606,864.71		[illegible] TOTAL									

DIA - [illegible] DIFFERENCE [illegible]

FIRST BENS AND DEALTIES

BIA SUMMARY

DATE	DOCUMENT	ACCT.	AMOUNT
10-24-06	C1UCB0M	9946	$19,730.00
11-19-06	C11C0175	9946	$29,466.40
12-0-06	C12C2F10	9946	$25,180.91
1-15-07	C0U0F0M0	9946	$28,004.30
2-20-07	C02C0M0	9946	$28,329.75
3-20-07	C0U2C112	9946	$26,256.63
4-15-07	C04C1197	9946	$28,761.63
5-22-07	C0U4C172	9946	$26,715.58
6-10-07	C06C2F0U	9946	$30,080.31
7-9-07	C0U7C5253	9946	$29,650.32
8-6-07	C0U8C5U0F	9946	$25,750.55
9-14-07	C0U9C3647	9946	$27,802.70
			$303,701.31

NEWBRA HILL , AD PAPLAR FIELD

BIA SUMMARY

DATE	DOCUMENT	ACCT.	AMOUNT
10-2-06	C10C4640	9943	$3,325.04
11-6-06	C11C0U1I	9943	$3,751.02
12-0-26	C12C2F10	9943	$6,304.63
12-31-06	C12C0061	9943	$3,329.91
1-20-07	C0U0C0U0	9943	$3,292.73
2-26-07	C0U2C036	9943	$8,637.27
3-30-07	C0U3C136	9943	$4,304.52
4-22-07	C0U4C405	9943	$8,450.90
6-2-07	C06C2066	9943	$4,202.13
7-9-07	C0U7C5253	9943	$4,025.04
7-31-07	C0U7C5U02	9943	$4,746.71
9-9-07	C0U9C3U3	9943	$4,667.79
	BUDGED REVENUE		$50,099.09

BIA LEASE DEALTIES ? NBC ? NEWBRA

TOTAL $1,001,625.13

BNS TOTAL CHECK TRANSACTIONS AMOUNT

MATCHED

CK. AMOUNT	DOC. DATE	PAYEE NAME	AMOUNT	DOC. DATE	PAYEE NAME	AMOUNT	DOC. DATE	PAYEE NAME	AMOUNT	DOC. DATE	PAYEE NAME

BNS TOTAL CHECK TRANSACTIONS AMOUNT

UNMATCHED WITH BIA AMOUNTS

CK. AMOUNT	DOC. DATE	PAYEE NAME
$3,561.00	SUB	
$2,160.61	SUB	
$3,693.70	SUB	
$3,187.02	SUB	
$2,710.79	SUB	
$3,730.60	SUB	
$2,510.67	SUB	
$4,232.36	SUB	
$3,257.00	SUB	
$191.71	SUB	
$290.61	SUB	
$431.37	SUB	
$9.00	SUB	
$3,113.32	SUB	
$1,977.09	SUB	
$3,930.91	SUB	
$3,471.50	SUB	
$4,017.02	SUB	
$3,847.14	SUB	
$3,930.99	SUB	
$2,450.87	SUB	
$1,631.53	SUB	
$1,560.75	SUB	
$1,238.96	SUB	
$6,599.72	ANALOG CHECKS	
($6,599.72)	ANALOG CHECKS	
$944.14	ROOD OIL	
$50,104.72	UNMATCHED BNS TOTAL	

$664,946.44 BNS/FIRST FIRST

($29,345.03) APPARENT BIA - BNS DIFFERENCE

FY 6 — REVENUE SHEET

FEBRUARY

FUND TERMS AND DEFINITIONS

DAS SUMMARY

DATE	DOCUMENT NOTE	AMOUNT

ONE DOLLAR WARRANTS, CHECKS FIELD

DAS SUMMARY

D-O	DOCUMENT NOTE	AMOUNT
10-19-06	CHWCHWPP 9746	$79,720.00
10-19-06	CHWCHCLS 9746	$79,666.00
12-8-06	CHVCHCCR 9746	$75,340.91
1-15-07	CHWCCPWR 9746	$32,804.30
2-20-07	CHWCPCSR 9746	$70,724.75
3-20-07	CHWCRCHT 9746	$36,716.43
4-13-07	CHWCCCRT 9746	$28,744.63
5-22-07	CHWCCCPR 9746	$48,295.52
6-10-07	CHWCCPWR 9746	$39,839.38
7-9-07	CHWCCCPS 9746	$39,050.22
8-6-07	CHWCCCRT 9746	$35,730.53
9-14-07	CHWCCWCT 9746	$42,863.38
	ONE 29 REVENUE	$387,780.71

WARRANT NOTE , DO DOLLAR FIELD

DAS SUMMARY

DATE	DOCUMENT NOTE	AMOUNT
10-9-06	CHVCHCAUC 9743	$3,373.00
10-4-06	CHVCCCAPS 9743	$3,253.02
12-8-06	CHVCCCCR 9743	$6,504.03
12-21-06	CHVCCCWCT 9743	$3,342.91
1-20-07	CHVCCCPWR 9743	$3,282.73
2-26-07	CHVCCCCRT 9743	$8,657.37
3-20-07	CHVCCCCRT 9743	$4,388.32
4-19-07	CHVCCCCRT 9743	$8,658.90
6-2-07	CHVCCCCRT 9743	$4,282.13
7-9-07	CHVCCCPSS 9743	$8,625.00
7-20-07	CHVCCCCRT 9743	$4,266.71
9-9-07	CHVCCCCRT 9743	$4,667.79
	WARRANT REVENUE	$58,080.02

DAS CLEAR WARRANTS : ONE : WARRANT

TOTAL $3,003,475.33

ONE DOLLAR CHECK TRANSACTIONS AMOUNT

WARRANTS

CK. AMOUNT	REC. DATE	PAYMENT DATE	AMOUNT	REC. DATE	PAYMENT DATE	AMOUNT	REC. DATE	PAYMENT DATE	AMOUNT	REC. DATE	PAYMENT DATE

ONE DOLLAR CHECK TRANSACTIONS AMOUNT

COMPUTED WARRANT AMOUNTS

CK. AMOUNT	REC. DATE	PAYMENT DATE
$1,561.00		SUM
$7,140.01		SUM
$1,603.20		SUM
$3,007.00		SUM
$7,715.39		SUM
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$171.71		SUM
$750.41		SUM
$432.32		SUM
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$3,113.32		SUM
$1,577.09		SUM
$3,930.94		SUM
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$3,047.14		SUM
$3,930.99		SUM
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Senator MELCHER. Thank you, Raymond.

I have to explain that I am going to recess the hearing now until 12:30. I have to join some Senators on drought matters. I will return at approximately 12:30 and we will hear Gary and John's testimony. And then we will have to recess again until 1:30.

I am sorry about all of this, but the drought situation in our state and so many other states has caused us to shuffle our schedules quite a bit. And that is why this hearing has been shuffled back and forth. I apologize for the inconvenience it may cause any of you.

But the best we can do is to pick up at approximately 12:30 and we can get John and Gary's testimony on behalf of the Shoshone and the Arapaho. And then we will proceed again at 1:30 to hear from Dr. Nielson testifying on behalf of the state of Utah.

The committee will stand in recess until approximately 12:30.

[Whereupon, at 11:55 a.m., the subcommittee was recessed, to reconvene at 12:30 p.m. the same day.]

AFTERNOON SESSION

Senator MELCHER. The subcommittee will come to order.

We have a continuation of the hearing, and we will hear from Gary Collins, Chairman of the Arapaho Business Council, and John Washakie, Chairman of the Shoshone Business Council.

Please proceed.

STATEMENT OF JOHN WASHAKIE, CHAIRMAN, SHOSHONE INDIAN TRIBE

Mr. WASHAKIE. Thank you, Senator Melcher. The Shoshone and Arapaho Tribes appreciate the opportunity to present their concerns. The Wind River tribes are heavily dependent on oil and gas production, not only for income to tribal members on the reservation, with an average unemployment rate of 70 percent, but also we derive about 99 percent of our tribal operating government revenues from oil and gas production.

In sum, the performance to date of the Department's production monitoring and accounting and royalty assessment accounting and audits at Wind River is inadequate. The Wind River tribes believe that as a direct result many serious and undetected problems remain in this enforcement vacuum, to the severe detriment of the Indian lessor.

The tribes can only conclude that insufficient mandate has been given by the top levels of the Department regarding the trust responsibility to Indian lessors and the corresponding fiduciary duty of care that all agencies in the Department have with respect to their administration of Indian oil and gas properties.

Congress, acting pursuant to this trust, has delegated specific trust functions to the Department of the Interior for the administration of Indian oil and gas properties. Unfortunately, the tribes' experience has been that most Department agencies believe they are exempt from the trust obligation.

We tire of repeating that the trust is founded on sacred and ancient contracts between the United States and Indian tribes, pursuant to which the tribes ceded vast land areas in return for certain

United States promises, including trust protection of the remaining land and natural resources.

Seeing the Department's performance in its best light, the tribes only can conclude that well-meaning Department officials who recognize that they have a trust duty to Indian lessors have grown complacent and do not attach any real meaning to that trust duty.

In light of the foregoing, the overriding need at the present time is for a shift in attitude in the Department to occur so that the Department's responsibility to Indian lessors is taken seriously and receives the priority it requires.

Mr. Chairman, we believe that the catalyst for this shift can come from you, in view of the great influence and responsibility you have had with respect to the Nation's mineral resources. We look forward to a day when the Department and Indian lessors might work cooperatively to maximize the income from Indian properties, while shepherding carefully their production.

The tribes know all too well the need for their properties to be competitive and thus attractive for investment. The Department must function as a vigilant trustee, aggressively monitoring and accounting for lease activities.

The Department also needs to assist Indian lessors to make prudent decisions regarding the royalty rates, regulations, and case by case relief to ensure that Indian lands remain competitive.

What we would like to do is do ours in two parts and Mr. Collins will complete.

Senator MELCHER. Please go ahead.

STATEMENT OF GARY COLLINS, CHAIRMAN, ARAPAHO INDIAN TRIBE

Mr. COLLINS. Again, it is very much an honor to be here to express some views of mine for me and the tribe itself. I would like to preface a couple of things here. I am a member of the RMAC Committee, as well as having been a geologist for the last 15 years, and the concerns that I express here are those that I have seen somewhat through time in Indian country with regards to the inadequacy with regards to oil and gas accounting and operations.

Let me turn to some specific problems here. First, with respect to the Bureau of Land Management, we must emphasize that good relationships were developed between the staff in the Casper office and the tribes with respect to sharing production and accounting data.

These relationships, of course, are now lost since production accounting has been transferred to the MMS in Lakewood, some 300 miles away from the reservation. Now, the tribes for the first time in years are experiencing difficulty in getting some of the forms with regard to the 3160's and other critical source data from the MMS, in part due to the increased distance, but also due to the MMS requirement that all documents be made available only by computer, notwithstanding its poor record in computerizing data.

Additionally, lax enforcement of on-site lease activity problems have also been a problem. For example, the tribes suspect extensive drainage to non-Indian leases is occurring on the reservation,

but the BLM on its own has never undertaken review of this matter.

Moreover, the BLM has been negligent in overseeing gas flaring activities. For example, 14th of October 1975 to March 17th of 1986, we have discovered that approximately 94,000 MCF of gas was flared without the required BLM approval.

This was from an Exxon lease on the Wind River reservation, and MMS took nearly two years to assess the value on this gas, of which we still have not received the appropriate royalty, some $8,000 of that.

I might also add that the field inspectors that both tribes have regularly report to us and we get more direct data because they are on hand and they can get the information back to us.

Quite often, the BLM reports come in very delinquent or not at all.

Additionally, we have been pursuing enthusiastically the 202 cooperative agreement with BLM pursuant to FOGRMA. BLM has been wholly unhelpful. We have been attempting this for over two years. Ignorance is claimed in some cases, insufficient funds on others.

The tribes must emphasize, however, that an inherent conflict of interest exists in the BLM on this matter, because the very same officials who would have their job functions changed as the result of any agreement are the ones responsible for approving the 202 agreement.

Although the law commands such arrangements, in reality the bureaucracy stands in the way. We have attempted on two different occasions to have the 202 enactment within the Wind River reservation, the auditing portion and also the field inspection. And we still have not received any acceptance along those lines.

With respect to the Bureau of Indian Affairs, we would like to urge a full-scale investigation be undertaken of Indian trust income accounting and management. This was alluded to earlier in some of the other testimony, particularly with the allottees.

Far too much room exists for abuse within the Department and lack of full accounting and management systems for royalty income. In this day of rapidly moving markets, the Bureau of Indian Affairs is clearly an inhibiting factor in the effort to improve the competitiveness of Wind River leases, as Mr. Washakie has just outlined.

With respect to the MMS performance, the tribes have several concerns. First, we were appalled recently to learn that the MMS is unaware of the existence of approximately 70 percent of the leases on the Wind River reservation. Nearly two months ago, some MMS representatives came to our reservation to review our accounting system that we have set up for our severance tax and we were made clearly aware that the information that they required and needed was not in their possession.

They requested to download our system to theirs, since ours was much, much more efficient. I might add, the cost effectiveness of our severance tax accounting department has paid for itself nearly twice over. We have indicated over a million dollars in penalties, severance taxes, underpayments, and interest charges since we

have had it, since its inception nearly a year ago, which is still ongoing.

We have the same kind and type of data, much more comprehensive than the MMS has, but our data certainly could be used to do royalty accounting, which by statute we are not allowed to do so.

Here again, I would point out that a vested interest of the tribes taking the initiative of managing their own resource certainly has proven very fruitful for us at this point in time. And it makes me wonder, as well as my staff and the people I represent, why the tribes can spend nearly three-quarters of a million dollars in a production royalty accounting system similar to royalty, but for severance tax, make it very cost-worthy, do this within less than two years—less than three years time frame, nearly two years, whereas the MMS has been doing this for eight years with many more millions of dollars and still is not successful.

The tribal staff have also learned that MMS has insufficient information to undertake the audit, and specifically the MMS was aware of only 30 percent of all of the reservation leases, of which we have well over 100 leases, comprising some nearly 600 wells.

So the cost-benefit here has certainly been in our favor. It amazes me why the Wind River reservation with regards to being one of the top ten producing oil and gas reservations certainly is not up to speed in terms of the MMS royalty portion, whereas we have taken our own initiative in the severance tax area and have come out quite well.

Additionally, those different kinds of leases that are sometimes termed exotic leases. Our net profits lease with Marathon, it seems to be such a unique lease that the Marathon, it seems to be such a unique lease that the auditing procedure has been very lax. It takes nearly two years to do a one-year audit.

In a recent review of the STATSS report, the tribal staff discovered also that between February of '87 and April of '88 an average of 18 days elapsed between the receipt by the MMS of tribal royalty income and disbursement to the BIA trust accounts. In other words, for 17 days of each month one can assume the tribes have lost some valuable interest income.

With respect to the reporting of royalties, the tribes urged that Congress strongly support our efforts to obtain a well by well accounting. The 2014's at this point in time go lease by lease. We would prefer well by well so that we can more accurately account for the production and, more importantly, the petroleum engineering and geological aspects of each well that contributes to the production from that lease.

Each well on a lease often yields production of different chemical qualities than other wells of the same lease. Accordingly, to obtain truly comparable pools like quality product the MMS would have product reports on a well-by-well basis and on a lease basis.

With respect to the audits performed by MMS, the tribe submits that MMS is grossly uninformed and understaffed and far too complacent to accomplish audits of all significant lease activities on the Wind River reservation. Moreover, the MMS is wholly incapable of anticipating lease production and reporting issues and addressing them prior to the audit, since not all reporting is captured in audits and not all leases are audited consistently.

For example, the tribes have been dealing with Arco and the severance tax issue for the last several months. Quite frankly, the numbers are preliminary, but we are looking at in excess of $3 to $4 million with regards to royalty deficiencies based on the 102, 107 gas pricing priority.

Additionally, we have obtained nearly $900,000 in severance taxes that have not been paid on the additional royalty on production with regards to a different pricing arrangement.

Certainly, this has been a very positive result in the effort that we tried to put together in our severance tax regulations, which we feel are probably the most comprehensive in the United States of an Indian tribe to enhance the tribe's ability to account for their own production.

And we still have a ways to go, but certainly the results are preliminary, but very promising.

Finally, with respect to audits, for over a year the tribes have been seeking from the MMS an agreement under section 202 of FOGRMA for the purpose of conducting royalty audits on the Wind River leases. As noted earlier, we have far more information available to use than does the MMS for this purpose.

As is the case with the BLM, however, an inherent conflict of interests exists, as I mentioned before. The MMS has delayed the negotiation of the agreement. Sepcifically, the MMS responsible for conducting royalty audits also has the responsibility for approving 202 arrangements. Little incentive exists, therefore, for the audit functions to be transferred to the tribes because the need for MMS staff will decrease.

In addition, while states undertaking audit functions are eligible for 100 percent funding pursuant to 205 of FOGRMA, tribes currently are eligible for only 50 percent of funding pursuant to the 202. This inequity has no basis and we therefore urge that Congress eliminate this disparity.

Mr. Chairman, the Wind River tribes believe that improved production royalty accounting will require more vigilance, as well as a better and increased Departmental staff. The tribes appreciate that additional funding needed will be difficult to obtain in light of this Administration's fiscal policies.

The tribes are confident, however, that the returns on the increased expenditures will far exceed the costs by directly increased royalty revenues, and over time by increasing the means for the tribes to develop and sustain economies on the reservation, thus reducing the need for other federal assistance programs.

Mr. Chairman, the Wind River tribes especially urge that you renew and reinforce the Congressional mandates that make clear the Department has the highest legal duty under the United States law in its management of Indian trust resources.

The duty must be taken seriously and enforced aggressively by all Department agencies. We believe you can be of invaluable assistance in this effort.

Thank you for this opportunity.

[The prepared statement follows:]

TESTIMONY OF JOHN WASHAKIE
CHAIRMAN, SHOSHONE INDIAN TRIBE
AND GARY COLLINS
CHAIRMAN, ARAPAHO INDIAN TRIBE
REGARDING THE DEPARTMENT OF THE INTERIOR'S PERFORMANCE IN PRODUCTION AND ROYALTY ACCOUNTING OF WIND RIVER OIL AND GAS PRODUCTION

BEFORE
THE
SUBCOMMITTEE ON MINERAL RESOURCES DEVELOPMENT
AND PRODUCTION
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

JULY 12, 1988

The Shoshone and Arapaho Tribes of the Wind River Reservation appreciate this opportunity to present their concerns about the Department of the Interior's performance in monitoring Wind River Reservation oil and gas production, and assessing and collecting royalties from that production. As you know, the Wind River Tribes are heavily dependent on oil and gas production not only for income to tribal members on a reservation with an average unemployment rate of 70%, but also for the tribal tax revenues needed for essential governmental services. The Wind River Tribes (the "Tribes") are vitally concerned, therefore, that production and royalty collections receive vigilant oversight by the Department of the Interior (the "Department").

In sum, the performance to date of the Department's production monitoring and accounting, and royalty assessment, accounting, and audits at Wind River is shockingly inadequate. The Department simply is not adequately protecting Indian property interests. The Department, more specifically, not only fails to protect Indian lessor interests, for example through

comprehensive look-back audits, but also it fails utterly to anticipate and address problems before crises erupt. The Wind River Tribes believe that, as a direct result, many serious and undetected problems remain in this enforcement vacuum, to the severe detriment of the Indian lessor. Specific examples supporting these assertions are described fully below.

Seeing Interior's performance in its worst light, the Tribes only can conclude that insufficient mandate has been given by the top levels of the Department regarding the trust responsibility to Indian lessors, and the corresponding fiduciary duty of care, that all agencies in the Department have with respect to their administration of Indian oil and gas properties. That trust responsibility exists in the first instance in the United States by virtue of its ownership of the legal title to Indian lands, with the Indians enjoying beneficial ownership. See, Worcester v. Georgia, 31 U.S. (6 Pet.) 515 (1831); Cherokee Nation v. Georgia, 30 U.S. (5 Pet.) 1 (1831). Congress, acting pursuant to this trust, has delegated specific trust functions to the Department of the Interior for the administration of Indian oil and gas properties. See, Indian Mineral Leasing Act of 1938 and the Federal Oil and Gas Royalty Management Act ("FOGRMA"). Several judicial decisions interpreting these statutes have made more explicit the trust duties of the Department's agencies. In Jicarilla Apache Tribe v. Supron Energy Corporation, 728 F.2d 1555, 1570 (Seymour, J., Dissenting), rev'd on rehearing, 782 F.2d 855 (10th Cir. 1986), (en banc, adopting dissenting

opinion), modified, 793 F.2d 1171, cert.denied, 107 S.Ct. 471 (1978), Judge Seymour stated: "When the Secretary is acting in his fiduciary role ... he must [act] in the best interest of the Indian Tribes." 728 F.2d at 1576. Significantly, Judge Seymour concluded that the best interests of the Indian lessors is obtained by maximizing their royalty income. Id. at 1568.

Unfortunately, the Tribes' experience has been that most Department agencies believe they are exempt from the trust obligation, disregarding altogether the broad legal mandates described in Worcester and Cherokee Nation and the specific mandates described in Supron. Even worse, many Department officials who recognize that trust duties do exist, tacitly and sometimes openly riducule them as surrogates for just another Indian's clamoring for some federal dole. This view, simply stated, is shocking. We tire of repeating that the trust is founded on sacred and ancient contracts between the United States and Indian Tribes, pursuant to which the Tribes ceded vast land areas in return for certain United States promises, including trust protection of the remaining land and natural resources.

Seeing the Department's performance in its best light, the Tribes only can conclude that well meaning Department officials, who recognize that they have a trust duty to Indian lessors, have grown complacent and do not attach any real meaning to that trust duty. For example, the Tribes on several occasions, have overheard Department officials claim that, because Tribes do not pay for enforcement, Tribes are inclined to seek enforcement

systems that are far more costly than the benefits to the lessors the systems yield. The truth, however, is that the Department has skimped for too long in its administrative programs on Indian lands, especially when that administration is measured by a fiduciary standard of care.

Because confusion concerning what the trust duty requires in Indian oil and gas administration is widesperead, we would like to suggest what those duties are, so as to provide a necessary context for evaluating the specific problems the Tribes wish to bring to the attention of Congress.

We submit that the Department's trust duties require it to maximize Indian lessor income by seeking from Congress sufficient funds to implement enforcement procedures fully adequate to monitor Indian lands' production and royalties at least up to the point where costs equal benefits (defined as royalties yielded), <u>if necessary</u>. Far less than this kind of activity is now in place and the Tribes submit that, for not much more, cost effective and comprehensive enforcement could be purchased.

Interior's trust responsibility requires it to assist Tribes in achieving greater control and sound Tribal management of reservation energy resources. Congress has expressed this intent very early in the Indian Mineral Leasing Act, one of the principal purposes of which was to bring Indian mineral leasing into conformity with the Indian Reorganization Act, which in turn was enacted to strengthen Tribal governments. Congress has expressed this intent even more clearly in the Indian Mineral

Development Act of 1982 and FOGRMA.

In light of the foregoing, the overriding need at the present time is for a shift in attitude in the Department to occur, so that the Department's responsibility to Indian lessors is taken seriously and receives the priority it requires. Mr. Chairman, we believe that the catalyst for this shift can come from you, in view of the great influence and responsibility you have with respect to the nation's mineral resources.

Mr. Chairman, we look forward to a day when the Department and Indian lessors might work cooperatively to maximize the income from Indian properties while shepherding carefully their production. The Tribes know all too well the need for their properties to be competitive and, thus, attractive for investment. But, the way to accomplish this, for example, is not to depress Indian product values unfairly and in conflict with the terms of the leases, or to permit a vacuum of regulatory enforcement. Rather, the Department must function as a vigilant trustee aggressively monitoring and accounting for lease activities. The Department also needs to assist Indian lessors to make prudent decisions regarding royalty rates, regulations and case-by-case relief to ensure that Indian lands remain competitive.

And, importantly, Mr. Chairman, as a brief aside, careful thought must be given to the unique problem of Indian lands bearing multiple tax burdens not experienced elsewhere. Too often the state burden on Indian lands is far in excess of the

services to the reservation taxpayers. All of the aggressive federal enforcement and prudent Indian lessor decision-making in the world will not alleviate this unique burden which cuts to the heart of the Indian lands mineral competitiveness. This, of course, is the subject of another day, but is one that must be noted in this context.

Against this backdrop, let us now turn to specific problems the Wind River Tribes have experienced as a direct result of the Department's complacency in the administration of Indian oil and gas properties.

First, with respect to the Bureau of Land Management ("BLM"), we must emphasize that good relationships were developed between staff in the Casper office and the Tribes with respect to sharing production accouting data. Those relationships, of course, now are lost since production accounting has been transferred to the MMS in Lakewood. Now, the Tribes, for the first time in years, are experiencing difficulty in getting Form 3160's and other critical source data from the MMS, in part due to the increased distance between offices, but also due to the MMS requirement that all documents be made available only by computer, notwithstanding its poor record in computerizing data.

Lax enforcement of on-site lease activity problems also have arisen with the BLM. For example, the Tribes suspect extensive drainage to non-Indian leases is occurring on the Reservation, but the BLM, on its own, never has undertaken a review of this matter. Moreover, the BLM has been negligent in overseeing gas

flaring activities. For example, from October 14, 1985 to March 17, 1986, we discovered that approximately 94,000 MCF of gas was flared without the required BLM approval from Exxon Lease 5885 on the Wind River Reservation. The MMS took two years to assess value on this gas.

Finally, we have been pursuing enthusiastically a § 202 cooperative agreement with the BLM, pursuant to FOGRMA. BLM officials have been wholly unhelpful, claiming ignorance and insufficient funds. The Tribes must emphasize, however, that an inherent conflict of interest exists in the BLM on this matter, because the very same officials who would have their job functions change as a result of any agreement are the ones responsible for approving a 202 agreement. Although the law commands such agreements, in reality the bureaucracy stands in the way. Congress should help remove this bar to full implementation of FOGRMA.

With respect to the Bureau of Indian Affairs ("BIA"), we urge that a full scale investigation be undertaken of Indian trust income accounting and management. Every time we have sought information on the status of their royalty accounts, we are appalled at the scant and confusing accounting trail. Far too much room for abuse inside the Department presently exists due to the apparent lack of full accounting and management systems for Indian royalty income. The BIA also is slow in its responsibilities for lease management. For example, at Wind River the BIA often takes years to approve requests for lease

assignments. In this day of rapidly moving markets, the BIA is clearly an inhibiting factor in the effort to improve the competitiveness of Wind River leases. Finally, at the present time the BIA is considering final leasing regulations. Perhaps the key issue in those regulations is the consideration of whether economic factors, as well as physical factors, ought to weigh in the decision whether to approve a communitization request. No doubt should exist that while physical factors ought to receive the greatest weight, case law on the trust duty supports consideration of economic factors in certain instances. If no compelling physical reasons exist, a lease should not be communitized, and thus saved from expiration when the lease terms are out-of-line with prevailing market terms.

With respect to MMS performance, the Tribes have several concerns. First, we were appalled recently to learn that the MMS is unaware of the existence of approximately seventy percent of the leases on the Wind River Reservation. About two months ago Colorado MMS staff arrived on the Reservation to audit leases from the priod from January 1, 1981 through December 31, 1986. The MMS staff requested that the tribal tax staff download their computers to assist in the audit, and requested access to tribal data. In conversations with the MMS, tribal staff learned that MMS has insufficient information to undertake the audit, and specifically, that the MMS was aware of only thirty percent of all of the Reservation leases.

Similarly, the Tribes have been advised repeatedly by MMS

staff that the BIA is responsible for providing the Tribes with accounting reports on the Tribes' net profit lease with Marathon Oil Company, because the MMS computer systems are incapable of incorporating data from this unique lease. The BIA, on the other hand, maintains it has no such information. The Tribes find it outrageous and inexplicable that neither agency appears to be accounting for these revenues.

In a recent review of a STATS report, tribal staff discovered that between February, 1987 and April 1988, an average of eighteen days elapsed between receipt by the MMS of tribal royalty income and disbursement to the BIA trust accounts. In other words, for seventeen days of each month, the Tribes have lost valuable interest income. The Tribes urge that Congress direct consideration of a new reporting system in which tribal royalty payments are made directly to the BIA accounts, with appropriate reporting to the MMS. We are convinced that only insignificant costs will be incurred by federal agencies and lessees to comply with this new system, and the current substantial loss of income to the Tribes compels its adoption.

With respect to reporting of royalties, the Tribes urge strongly that Congress support our efforts to obtain well-by-well accounting of production. As this Committee is aware, the MMS recently enacted product valuation regulations. For Indian leases the MMS is required, as mandated by the leases, to undertake alternative valuation methods and then to select that method which yields the highest royalty. One of the required

methods is the major portion price which is defined as the "highest price paid or offered for a majority of like quality production," which, MMS erroneously treats as a comparable sales valuation method. Like quality production is production which shares chemical and legal characteristics. In order to obtain the comparable sales pool, which yields the major portion price, like quality product must be compared. Each well on a lease often yields production that is a different chemical quality than other wells on the same lease. Accordingly, to obtain truly comparable pools of like quality product, the MMS should have product reported on a well-by-well rather than solely on a lease basis.

With respect to the audits, performed by MMS, the Tribes submit that MMS is grossly uninformed, understaffed and far too complacent to accomplish audits of all significant lease activity on the Wind River Reservation. Moreover, the MMS is wholly incapable of anticipating lease production and reporting issues and addressing them prior to audit, since not all underreporting is captured in audits, and not all leases are audited consistently. For example, in 1979, the MMS audited Arco's wet gas production on the Wind River Reservation for an eight year period. Two months for each year were audited for a total of sixteen months. As required by the regulations, the MMS performed the "keep whole" valuation method. During the period under audit, however, in light of the fact that federally-imposed price ceilings under the Natural Gas Policy Act exceeded the

prices for liquid hydrocarbon containing the same amount of energy, the "keep whole" method predictably never would exceed the value at the wellhead. Beginning in 1981, however, with decreased gas prices, the values at the wellhead began to be exceeded by the prices of liquid hydrocarbons and, thus the "keep whole" method likely would generate values in excess of wellhead values. The MMS, despite knowing this fact, has failed to advise Arco of the need to perform the "keep whole" method and pay tribal royalty by this basis if it exceeds the value at the wellhead.

Finally, with respect to audits, for over a year the Tribes have been seeking from the MMS an agreement under § 202 of FOGRMA for the purpose of conducting royalty audits of Wind River leases. As noted earlier, we have far more information available to us than does the MMS for this purpose. As is the case with the BLM, however, an inherent conflict of interest in the MMS has delayed the negotiation of this agreement. Specifically, the MMS officers responsible for conducting royalty audits also have the responsibility for approving 202 agreements. Little incentive exists, therefore, for the audit functions to be transferred to the Tribes, because the need for MMS staff will decrease. In addition, while states undertaking audit functions are eligible for 100% funding pursuant to § 205 of FOGRMA, tribes currently are eligible only for fifty percent funding pursuant to § 202. This inequity has no basis, and, therefore, the Tribes urge Congress to eliminate it.

Finally, we are concerned greatly about the lack of attention by all federal agencies to the production monitoring and royalty accounting of Indian allottees' leases. Because allottees rarely have the resources to present their concerns and interests to the Department, little attention is accorded to their property interests. Stories abound of allottees requesting information from the BIA, the only agency reasonably accessible to them. The BIA often not only is wholly incapable of providing comprehensive information regarding the status of accounts, because it evidently does not exist, but BIA officials also consistently fail to act as the liaison between the allottees and officials of the BLM or the MMS to ensure that information is provided to the allottees. The BIA must perform this function more diligently and must assign specific staff the responsibility for this function.

Mr. Chairman, the Wind River Tribes believe that improved production and royalty accounting will require more vigilance as well as better and increased Department staff. The Tribes appreciate that the additional funding needed will be difficult to obtain in light of this Administration's fiscal policies. The Tribes are confident, however, that the returns on the increased expenditures will far exceed the costs, by directly increased royalty revenues and, over time, by increasing the means for the Tribes to develop and sustain economies on the Reservation, thus reducing the need for other federal assistance programs. Finally, and most importantly, Mr. Chairman, the Wind River

Tribes respectfully urge that you renew and reinforce the congressional mandates that make clear the Department has the highest legal duty under United States law in its management of Indian trust resources. That duty must be taken seriously and enforced aggressively by all Department agencies. We believe you can be of invaluable assistance in seeing that this occurs.

Thank you for your attention to these important matters.

Senator MELCHER. I want to thank all three of you, and Raymond on behalf of the Assiniboine and Sioux tribe, and also for Marvin Sonosky being present and assisting in the development of the excellent testimony you have presented, and also both you, Gary and John, for presenting some well documented, well experienced critique of what is going on out there.

I am very shocked at what I have learned this morning. There are all sorts of things we need to correct. I think legislation is necessary, and I think we need the legislation to enforce what we thought we were spelling out in 1982.

Without the enforcement of the provisions of the 1982 Act, I simply do not know where we are at. And you have documented that there is no way of knowing where we are at.

On this question of drainage, the Department of the Interior inspector general report concluded that drainge protection was not given sufficient priority by the BLM and that this could cost the government and some Indian tribes at least $6.4 million in oil and gas revenues.

Well, that is not a large amount, considering the total involved. But remember that the inspector general just said at least that amount.

All of this is discouraging to me because what we found beginning in 1980, perhaps it is fair to say that a lot of the genesis of the shock that occurred in '80 and '81 started right on the Wind River reservation. But by looking at other reservations and by looking at the broader range of federal leases, we realized that USGS simply was not programmed, did not have the manpower, in some instances did not have statutory authority, to do what was prudent in managing oil and gas leases, both on Indian reservations and on federal lands.

Now, the states come into this because they share in whatever the federal oil and gas royalty there is. So they, too, have a lot at stake in proper, prudent management. The fact that we do not have proper, prudent management is evidenced by the testimony we received this morning.

We are going to hear a little bit more this afternoon beginning at 1:30 from the state of Utah, Dr. Nielson. But I think we are also going to have some written testimony from states and from other tribes also that is going to be shocking and disappointing on how we are managing auditing and collecting, assessing and figuring out what proper amount of oil and gas revenues for these leases.

I have no particular questions of any of you. I think your testimony is awfully good. And I particularly like the fact that you have taken some of these forms, Raymond, and just shown us what they lack.

We have got our work cut out for us. We did not finish it in 1982. We are just going to have to go back to it.

I want to thank you all very much. And Dr. Nielson, I apologize for not being able to take your testimony right now, but we will take it at 1:30, when Senator Wirth is able to chair the hearing.

The Committee is in recess until 1:30.

[Recess from 12:55 p.m. to 1:30 p.m.]

Senator WIRTH [presiding]. Dr. Nielson, if you would come join us we would appreciate it. Our final witness today is Dr. Dianne Niel-

son, the Director of the Utah Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah.

Ms. Nielson, thank you very much for joining us. Are you any relation to Congressman Nielson?

Dr. NIELSON. No.

Senator WIRTH. Everyone in Utah is named Nielson or Peterson, is that right?

Dr. NIELSON. We are all friends.

Senator WIRTH. Thank you for being here. If you would summarize your testimony in whatever way you think is appropriate. We appreciate your coming. Thank you very much.

STATEMENT OF DR. DIANNE R. NIELSON, DIRECTOR, UTAH DIVISION OF OIL, GAS AND MINING, STATE OF UTAH

Dr. NIELSON. I appreciate the opportunity to be here today on behalf of Governor Bangerter and the State of Utah to give you information on the U.S. Department of the Interior's oil and gas royalty management program.

Utah has played an active role in oil and gas royalty management and operations. Our audit division has a 205 delegation through FOGRMA. We participate on the Secretary of the Interior's royalty management advisory committee. We also take an active role in permitting and inspection of oil and gas operations in the state.

I listened with interest this morning to the previous testimony and I was disturbed as a member of the royalty management committee to hear some of the same issues that we have heard over the last two years still being discussed and apparently unresolved.

The State of Utah is in a somewhat different situation, and fortunately we think we are seeing some changes in the way the Department is doing business with respect to royalty management.

First of all, MMS is actively involving the states and the tribes which have 202, 205 delegations in planning their audit work programs. In January of this year, there was an inspector general's report which strongly criticized MMS for failing to have developed a work plan.

At that point, MMS contacted those states and tribes with which it works closely under the delegation and asked for our priorities and recommendations and used those to develop its work plan. So far, this seems to have resulted in a more efficient operation, with better coordination and less duplication.

And we are hoping that it will continue, because there is an obvious benefit to us from this increased coordination. We are finding that collections and disbursements by MMS are now standardized, timely, and well documented. In the past, Utah received its mineral lease moneys frequently late, erratically, and with no documentation. We are now finding that the royalties come on a monthly basis, that the bonuses and rentals are being received on an annual basis and they are well documented in terms of the county, lease, and payor.

We are also hopeful that the onshore production accounting system which is now being implemented by MMS will provide a framework for reliable production royalty accounting. There has

been considerable discussion in the past as to whether the fully automated offshore PAAS system should be implemented onshore.

We felt very strongly that that system would not be an effective or cost efficient system when implemented onshore, and so we have supported the Department's decision to implement a production reporting system which is based on the revision of existing reporting forms, with reporting responsibilities to MMS.

The PAAS onshore production reporting system is currently being implemented and will not be in full effect in Utah until mid-October of this year. We are encouraging the Department to move quickly to bring the system to full implementation for all onshore leases.

We feel that this sort of coordination of the production disposition accounting is a basis and a critical one for all the valuation accounting that will come afterwards.

The oil and gas royalty valuation regulations are something that you and other members of this Committee have heard in considerable detail in the past. It is really too early for us to evaluate the impact of those regulations, since we have not used them in any federal audits as this point, as have other states not used them.

We are working very closely with MMS in an attempt to ensure that the transportation allowances and other provisions of the new regulations are consistent and well documented, and we are hoping that by implementing this type of coordination early on that we will avoid problems later when audits are conducted under the new rules.

We are experiencing a problem with respect to royalty in kind contracts. We need those contracts and we need MMS to make them available to us as needed for audit purposes. It appears that MMS has taken steps to improve its management on royalty in kind contracts from previous experience. But we are still frustrated in our audit attempts.

During the early 1980's, the Department contracted to take oil in kind to be processed in small refineries. Utah is now auditing production from some of those leases where the oil was taken in kind.

Since 1987, our auditors have traveled to New Mexico, Wyoming, and Colorado, attempting to secure the royalty in kind contracts from the MMS. We have also documented our concerns verbally and in writing, and have been unable to receive those contracts from the Minerals Management Service.

Without those contracts, we cannot close out the audits, we cannot assure that there has been proper payment, and we are subject and liable for the poor performance on auditing if we are unable to complete that task.

Site security procedures we believe are being effectively implemented by the BLM and the state of Utah. Reporting problems and discrepancies in operations are more timely and completely being handled when they do occur, and we are finding that when information is sent directly from the BLM to our state auditors that we are also receiving that in a timely manner.

The division of oil, gas, and mining and the 205 program auditors have been working very closely with MMS and BLM. In the past, there have been problems experienced in passing information from the BLM through the MMS to the state auditors.

Since we have been able to essentially eliminate the middleman and pass that information directly from the BLM to our state auditors, the system seems to be working more effectively.

In conclusion, we appreciate the concern and effort of this Committee to ensure an effective royalty management program. As a result of your work and I think also a new commitment from the Department, we are seeking that there is better coordination and cooperation with the Department of Interior, the Minerals Management Service, BLM, and the state of Utah.

And we look forward to this sort of improvement continuing in the future as programs that are currently under way are fully implemented.

I would be happy to answer any questions you may have or to take questions at a later time.

[The prepared statement of Dr. Nielson follows:]

U. S. DEPARTMENT OF THE INTERIOR
OIL AND GAS ROYALTY MANAGEMENT PROGRAM

Testimony Presented By

DIANNE R. NIELSON, DIRECTOR
DIVISION OF OIL, GAS AND MINING
STATE OF UTAH

Before the

SUBCOMMITTEE ON MINERAL RESOURCES
DEVELOPMENT AND PRODUCTION
of the
ENERGY AND NATURAL RESOURCES COMMITTEE
U. S. SENATE

JULY 12, 1988
WASHINGTON, D.C.

Mr. Chairman and members of the Committee, I appreciate the opportunity to present testimony on behalf of Governor Norman H. Bangerter and the State of Utah concerning the operations of the U. S. Department of the Interior's Oil and Gas Royalty Management Program.

Utah continues to take an active role in federal oil and gas production and royalty management through the Minerals Management Service (MMS) Section 205 royalty audit delegation program, participation on the Secretary of the Interior's Royalty Management Advisory Committee, and ongoing coordination with the State Office of the Bureau of Land Management (BLM) concerning permitting and inspection of oil and gas exploration and development in the state.

We have not hesitated in the past to express concerns with the federal royalty management program. In turn, we are pleased to recognize improvements over the last year.

- **MMS has actively involved the states and tribes with 205/202 audit programs in development of audit work plans.**

A January 1988 Inspector General's report criticized MMS for failure to establish an audit work plan. Since that time, MMS has requested recommendations from 205/202 program states and tribes for audit priorities and has used those recommendations to develop its work plan. This has resulted in more efficient operations, with less duplication and confusion. We look forward to continuing this level of coordination and communication with MMS.

- **Collections and disbursements by MMS are now standardized, timely and well-documented.**

In the past, Utah received mineral lease payments without any documentation, on an erratic, usually late basis. We now receive monthly payments of the state's share of federal royalties, and annual payment of rentals and bonuses. The checks are backed up by clear detail on the source of payment by county, lease and payor.

- **Onshore Production Accounting Program will provide a framework for reliable production/royalty accounting.**

There has been considerable discussion in past years concerning the advisability of onshore implementation of the current, fully-automated offshore Production Accounting and Auditing System (PAAS). Accurate, timely production and disposition reporting is the basis for all valuation audits. Yet, we felt that the PAAS offshore system was not an effective or cost-efficient system for onshore operations.

Therefore, Utah supported the Department's decision to implement an onshore production reporting system based on revisions of the existing report forms, with reporting responsibility to MMS.

The PAAS Onshore Production Reporting System is currently being implemented, including updating and transfer of production related data from BLM to MMS. It is scheduled to be operational in Utah on October 15, 1988. We encourage the Department to continue to bring the system up to full operations for all onshore leases.

- **Oil and gas royalty valuation regulations have not been in effect long enough to evaluate their impact.**

The new Department regulations on oil and gas valuation have not yet been used on federal audits in Utah or other states, so we are not prepared to evaluate them. We will be working closely with MMS in applying the new regulations and ensuring that transportation allowances and other new provisions are consistent and well-documented. We hope this will avoid problems down-the-road when audits are conducted.

- **MMS should diligently manage royalty-in-kind contracts and make those contracts available to the state, as needed, for audit purposes.**

While it appears that MMS has taken steps to improve its management of royalty-in-kind (RIK) contracts, Utah continues to be frustrated in attempts to audit prior transactions.

During the early 1980's, the Department contracted with refineries in Utah to process "in-kind" oil from federal leases. Utah is now auditing production and royalty from some of these leases. Since 1987, our auditors have traveled to three different federal offices in New Mexico, Wyoming, and Colorado in search of the RIK contracts, and we have documented our request to MMS verbally and in writing. MMS has still failed to produce the contracts. Without these contracts, Utah cannot close out the audits. Furthermore, if these audits are not closed out, the state of Utah is liable, if their audit procedures are later evaluated in oversight.

- Site security procedures are effectively implemented by the BLM in Utah. Reporting of problems or discrepancies in operations is more timely and complete when information is sent directly from the BLM to the state.

The Division of Oil, Gas and Mining and the 205 program auditors have not recognized difficulties with BLM implementation of site security procedures. When problems have been noted during state inspections, the state has notified the BLM, and the BLM has corrected the problem with the operator in a timely manner. In fact, operators on state and fee leases are implementing federal site security measures, even though it is not required under state law. This voluntary action has improved accountability and audits on non-federal lands.

Transfer of site security information and reports from BLM, through MMS, to the state 205 auditors has been a significant problem in the past. The issue is now resolved, with the BLM sending the information directly to the state auditors. This process ensures receipt of the information and timely response. We hope that MMS and BLM procedures will continue to stress this type of expeditious, direct communication and transfer of information.

In conclusion, we appreciate the concern and effort of this committee to ensure an effective oil and gas royalty management program. As a result of your work and a new commitment on the part of the Department of the Interior, MMS, and BLM, we think federal royalty management has improved, and we look forward to continued improvement as projects underway are fully-implemented.

Senator WIRTH. Thank you very much, Ms. Nielson.

In your testimony you are noting that improvements have been made in the Department's royalty program. However, other states and Indian tribes, as you pointed out from listening this morning, are still experiencing difficulties with the program.

What do you think? Is the success of the program in Utah due to the Department's efforts versus the states' participation in the program, or is there some other reason for that?

Dr. NIELSON. I think in large part it is a result of the work of not only Utah, but the other delegated audit states, through their committee. The 205–202 states and tribes have the more direct link with MMS and they also meet on a quarterly basis with MMS to discuss problems.

There are particular issues that may be unique to one state and not to another state, and in this case the royalty in kind contract issue is certainly one of those. In other cases, we are not seeing perhaps a problem in auditing or have not experienced a problem in auditing.

But what we are finding certainly is that the increased communication and coordination through that committee to the delegated auditing states is making a big difference in the way we are coordinating with MMS.

Senator WIRTH. Should we be pushing harder on the Department to be working more closely with you all to pick up the kind of improvements that you have been doing?

Dr. NIELSON. I think the Department should be encouraged to work closely with all of the entities that need information.

Senator WIRTH. That is a nice way of putting it, that we encourage them.

Dr. NIELSON. I think they need to be encouraged to continue the sort of work that they are doing with our state and other states, and they need to be encouraged to continue to improve communications between the Minerals Management Service, the BIA, and BLM.

Senator WIRTH. Well, we really appreciate your being here. Thank you very much. You are very patient as well to wait around for this break, and I know all the members of the Committee greatly appreciate your help and your support and your testimony.

Dr. NIELSON. Thank you.

Senator WIRTH. And we will leave the record open for any further comments that you or your colleagues feel it would be appropriate to make.

Dr. NIELSON. Thank you.

Senator WIRTH. Thanks ever so much for coming in.

And the Committee will be adjourned.

[Whereupon, at 1:40 p.m., the hearing was adjourned.]

APPENDIX

Additional Material Submitted for the Record

TESTIMONY OF EARL OLD PERSON
CHAIRMAN, BLACKFEET INDIAN TRIBE

SUBMITTED TO
SUBCOMMITTEE ON
MINERAL RESOURCE DEVELOPMENT
AND PRODUCTION OF THE ENERGY
AND NATURAL RESOURCES COMMITTEE

JULY 12, 1988

Honorable Chairman, my name is Earl Old Person, Chairman and Chief of the Blackfeet Indian Tribe. On behalf of the Blackfeet Indian people, I am here to testify today to members of the Sub-Committee concerning the many Oil & Gas issues which effect the Blackfeet Nation and its residents.

On several occassions our Tribe along with other Tribes have brought to the attention of the Mineral Management Service areas of concern in the long awaited Production Accounting Auditing system. We have requested that changes in MMS 3160 form (monthly report of operations) be modified to include four additional data elements to be used by Tribal accounting, engineering and geological staffs.

In brief these four elements are:

1. USGS formation Code identifier.
2. Disposition of Product by well.
3. Gravity/BTU Value of Product of Well.
4. Report of royalty - free vs royalty bearing users.

(A more indept discussion on each of the above is available to the Committee if needed.)

In a report sent to the Tribe concerning the above Indian issues by MMS each of the above request were denied with several excuses. (That report is available to the Committee if needed.)

Our Tribe along with other Tribes have asked that MMS consider involving Tribal personnel in its industry training program. We believe that prospects for the ultimate success any system are greatly enhanced when all parties who will use that system work together in its development.

Adopting the approach suggested in the four elements discussed above would allow both government and tribal officials to achieve a degree of consisting in data base information and reporting that has heretofore not been achieved.

(2)

Audit Strategy

MMS recent audit strategy decision places emphasis on company audits of major payors. We are not confortable with the way smaller tribes will be able to tap into the audit strategy.

Availability of raw data to Tribes

MMS has not agreed at this time to provide hard copies of 2014's and gas settlement statements. We would like to resolve this long-standing issue. This information is important for particular Tribes and cannot continue to be overlooked by MMS.

ESTABLISH AN INDIAN ROYALTY COMPLIANCE DIVISION

The Blackfeet Tribe, along with other Tribes by resolution (attached) recommended that MMS establish a separate office within the Royalty Compliance Division to deal with matters arising from Indian leases. This recommendation has been reviewed by other tribes and found to possess much merit. We suggest that this suggestion be given very careful consideration with particular attention to the following benefits, among others, which might be derived from such a move.

First, this office could serve as the principle coordinating point for all royalty audit, compliance, referrals, inquiries, etc., arising from Indian leases. This office could also serve as the principle coordinating point for MMS/BIA activities, and would eliminate the present, strained procedure for requesting audits and making inquiries through the BIA to MMS.

This Office could also serve as the principal source of tribal and Indian mineral owners' contract with MMS, and could either perform or coordinate training of tribal auditing staffs and other personnel. As we envision such an office these personnel would review and monitor such activities as value determinations of Indian production; communications with lessors and lessees; NTL-5 audits and determinations; and refer inquiries from Indian mineral owners or the BIA to appropriate MMS offices. We do not envision this Office as a replacement for other MMS functions.

Finally, it occurs to us that many present MMS practices and plans are the result of agency decisions that were made on the basis of assumptions that are no longer valid. For instance, the original plans of the agency did not contemplate conducting either dual accounting or major portion analysis for Indian leases. And the agency plans still contemplate conducting audits on the "10-90" strategy, on a company-by-company basis. It occurs to us that the Office we contemplate here could perform, or see to it that there is performed, the major portion analysis that the final product value regulations will require for virtually all Indian leases. If scaled appropriatly, and in coordination with the Indian lessors, it seems quite possible that as few as such analysis annually could be made to serve virtually the entire universe of some 7,000 Indian leases. This, in turn, could inordinately simplify the otherwise vast auditing problems the agency would confront.

(3)

Accounting of Non-Standard Leases

Another matter of great concern to the Blackfeet Tribe is the federal government's refusal to monitor and audit non-standard leases and drilling agreements. The Blackfeet Tribe has between 25 and 30 non-standard leases, most of which date back to the early 1940's. Only a few have been entered into in recent years. The Tribe also has a number of drilling agreements with various companies also from the 1940's. I believe that the Blackfeet Tribe is one of the few Tribes, if not the only Tribe, which has so many non-standard leases dating back so far.

Most of the Blackfeet non-standard leases and agreements were entered into under authority of the Tribal Charter adopted pursuant to the 1934 Indian Reorganization Act. They provide for payment of a royalty to the Tribe, and also provide for payment to the Tribe of a percentage share of net proceeds or net profits. The net profits percentage ranges from 10% to 35% depending on whether the production is primary or secondary.

In the early years, the U.S. Geological Survey monitored the Blackfeet Tribe's non-standard leases and agreements. For instance, U.S.G.S. kept track of the accounting used to calculate net profits, and notified the companies involved when they failed to increase the net profits percentage when secondary production commenced. As far as we know, however, no audits of any non-standard leases or agreements have ever been undertaken. This means that the 25-30 non-standard leases and agreements entered into in the early 1940's have been operating for over forty years without any audit whatsoever.

We don't know exactly when monitoring on these leases and agreements stopped. We do know that since the formation of the Minerals Management Service, MMS has consistently told us that they will not monitor or audit these leases and agreements. The Blackfeet Tribe does not understand this MMS policy. We do not believe that the form of the agreement or lease changes the nature of the federal government's trust responsibility. The federal government has a responsibility to the Tribe involving all trust property. We don't understand why the Blackfeet Tribe should be penalized for creatively developing its mineral resources in ways which increase the financial return to the Tribe.

The Blackfeet non-standard leases and agreements were entered into pursuant to federal law. The early leases and agreements were entered into pursuant to the 1934 Indian Reorganization Act which authorizes tribal corportation to "own, hold, manage, operate, and dispose of property of every description." More recent non-standard leases or agreements have been entered in pursuant to the 1982 Indian Mineral Development Act. Therefore, all Blackfeet non-standard leases and agreements are authorized by federal law, and are subject to the federal trust responsibility through its monitoring and audit responsibilities.

(4)

We understand that MMS has changed its policy and has now agreed to monitor and audit non-standard leases and agreements. But we also understand that this policy change was adopted over a year ago, and perhaps as long as a year and a half ago. As far as we know, however, the policy change is still not implemented. As a result, the Blackfeet Tribe is fast approaching the time when its non-standard leases and agreements will have been in production for fifty years without any audits to determine whether the Tribe has recieved appropriate revenues.

I would like to thank this Subcommittee for the opportunity to testify on these very important issues.

BLACKFEET NATION

P.O. BOX 850
BROWNING, MONTANA 59417
(406)338-7179

EXECUTIVE COMMITTEE

EARL OLD PERSON, CHAIRMAN
ARCHIE ST. GODDARD, VICE CHAIRMAN
MARVIN WEATHERWAX, SECRETARY
ELOUISE C. COBELL, TREASURER

TRIBAL COUNCIL

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ROLAND P. KENNERLY
LANE KENNEDY
BERNARD ST. GOODDARD
LEE WILSON
GEORGE KICKINGWOMAN
TED WILLIAMSON

R E S O L U T I O N

Number 143-88

WHEREAS: The Blackfeet Tribal Business Council is the duly constituted governing body within the exterior boundaries of the Blackfeet Indian Reservation; and

WHEREAS: The Blackfeet Tribal Business Council has been organized to represent, develop, protect and advance the views, interests, education and resources of the Indian people of the Blackfeet Reservation; and

WHEREAS: The Tribal Council further recognizes that MMS and the Tribe must work cooperatively to improve the efficiency of MMS audit programs;

THEREFORE BE IT RESOLVED: The Blackfeet Tribal Business Council recommends the following improvements to the Minerals Management Service's existing Indian audit strategy. The Minerals Management Service should:

a. establish and fully staff a separate Indian Royalty Audit/Compliance Office under the Royalty Compliance Division,

b. provide comprehensive training for the staff of the Indian Royalty Audit/Compliance Office,

c. authorize the Indian Royalty Audit/Compliance Office to coordinate and/or conduct all Indian audits including BIA and BLM referrals, Tribal referrals, cooperative audits and Regional Compliance Office payor-based audits which include Indian leases,

d. require that the Indian Royalty Audit/Compliance Office correspond with the Indian lessor at all phases of the audit process,

e. establish an audit training program for Tribal employees within the Indian Royalty Audit/Compliance Office under the Intergovernmental Personnel Act of 1970,

f. require that requests for determination of value, approvals of manufacturing allowance and transportation allowance involving Indian leases be processed through

the Indian Royalty Audit/Compliance Office and that the Indian lessor be advised of such requests and determinations or approvals,

g. establish a policy which provides for the sharing of company background and systems information among all audit groups within RCD (Royalty Compliance Division), the States and Tribes, and

h. require that the Indian Royalty Audit/Compliance Office determine by lease or well the value of Indian royalty under the provisions of NTL-5 and under 25 CFR 211.13 for periods prior to August 1986 and after the applicable market out dates.

BE IT FINALLY RESOLVED, that the Chairman of the Blackfeet Tribal Business Council is authorized to sign the Resolution and is further authorized to take such action as may be necessary to carry out the intent of this Resolution.

ATTEST:

THE BLACKFEET TRIBE OF THE BLACKFEET INDIAN RESERVATION

Marvin Weatherwax
Secretary

Earl Old Person, Chairman

Certification

I hereby certify that the foregoing Resolution was adopted by the Blackfeet Tribal Business Council; during a duly called, noticed, an convened session assembled for business the 1st day of March, 1988 with Six (6) members present to constitute a quorum, and by a vote of Six (6) members For and None (0) Opposed.

(CORPORATE SEAL)

Marvin Weatherwax, Secretary
Blackfeet Tribal Business Council

STATE OF WYOMING
STATE AUDITOR'S OFFICE

Jack Sidi
State Auditor
Tom Jones
Deputy State Auditor

July 11, 1988

Ms. Patricia Beneke
Senior Council Staff Aide
Energy and Natural Resources Committee
Dirksen Senate Office Building, Room 362
Washington, D.C. 20510-6150

Dear Ms. Beneke:

Attached, is the Wyoming State Auditor's Office written comments concerning the oversight hearings on the Department of the Interior's Royalty Management Program.

If the Committee has any questions regarding our comments or any other testimony which might affect Wyoming's program, please do not hesitate to contact me. I can be reached at (307) 777-6664.

Sincerely,

Valdean Severson

Valdean Severson
Royalty Audit Supervisor

VS/cmm

STATE OF WYOMING
STATE AUDITOR'S OFFICE

Jack Sidi
State Auditor
Tom Jones
Deputy State Auditor

WRITTEN STATEMENT

WYOMING STATE AUDITOR'S OFFICE

The Wyoming State Auditor's Office appreciates the opportunity to provide a written statement to the Subcommittee on Mineral Resources Development and Production of the Energy and Natural Resources Committee.

An essential part of the statehood bargain for many western states was the retention of vast amounts of public lands in federal ownership, as opposed to eastern states. These federal lands are exempt from most state and local taxes, but, nevertheless, place substantial burdens upon the state and local governments. In Wyoming, the federal government controls over two-thirds of all mineral rights. A similar situation occurs in many of the other western states.

As a compromise to this inequity of admission of the western states as compared to the eastern states, the Mineral Leasing Act of 1920 provides for the distribution of 50 percent of federal royalty revenues to the state in which the production occurs. Wyoming has the largest amount of federal royalties for onshore production, currently approaching $13 million a month in royalty, rental and bonus collections on nearly 7,000 federal leases. Because of the vast federal mineral acreage, Wyoming is deeply committed to and interested in matters pertaining to the Royalty Management Program. The program not only affects its disbursements, but also its royalty audit program under Section 205 of the Federal Oil and Gas Royalty Management Act of 1982.

The Wyoming Auditor's Office has been involved in royalty accountability with the Department of Interior since 1981. Our audit program has grown from two staff auditors to twelve staff auditors, two lead auditors and an audit supervisor. This growth has resulted in approximately $42 million in delinquent oil and gas royalties being recovered. We have seen many changes and improvements in all phases; however, changes and improvements must continue if we are to be assured that the federal government as well as the State of Wyoming is receiving the royalties to which each is entitled. Cooperation, communication and cross-training must improve if we are all to succeed.

Wyoming has reviewed the Office of the Inspector General's (O.I.G.) audit reports of and findings concerning the Fiscal Accounting Division (FAD), Royalty Valuation Standard Division (RVSD) and Royalty Compliance Division (RCD) and offers the following comments.

I. Fiscal Accounting Division

We are in total agreement with the I.G. findings and recommendation concerning reconciliation of payor accounts; royalty underpayment verification and cash distribution. It appears that MMS did not, until recently, consider payor account balances, royalty underpayments, or disbursements to be a very serious problem. We are dismayed that it took MMS until October 1987 to start reconciling payor accounts. Under a payor based accounting system, this should have been a high priority beginning on the dates of conversion from Royalty Accounting System (RAS) to Auditing and Financial System (AFS).

Concerning the I.G. findings on MMS's ineffective procedures in resolving underpayments, Wyoming would like to include royalty overrecoupments on federal leases. As we see the Fiscal Accounting Division, it is directly responsible for the accurate, timely collection of revenues from federal mineral leases. As the I.G. stated, the AFS generates monthly reports that identify overrecoupments; however, MMS has treated this as low priority because of "system inaccuracies" in the recoupment report. Wyoming agrees that many of the potential overrecoupments are payor errors, such as adjustments to wrong leases; however, it is the FAD's responsibility to ensure accurate records reporting. This program has seen, in recent audits, many instances of leases carrying negative balances. Although many of these balances have been payor reporting errors, there have been audit collections where companies did recoup more than they ever paid. In our opinion, every effort should be made to ensure that the recoupments are correct, regardless of the reasons or the amounts involved.

In the areas of disbursement to the State of Wyoming, we have two concerns relating to late disbursement interest under FOGRMA.

1. Current MMS policy is to assess states and tribes interest on negative royalty adjustments which remain in the AFS system longer than the end of the month following the month of receipt. For example, if an adjustment is rejected by the computer (which may occur for any number of reasons), the adjustment may not be accomplished for two or three months. When the adjustment is finally entered, the MMS then offsets it against disbursements previously made to the states.

Of primary concern is whether the MMS has either statutory or regulatory authority to make such assessments against states and tribes. It is MMS's position that many of the negative lines are part of adjustments of royalty obligations submitted by payors. Since the state may have previously received the positive side of the company's adjustment, the MMS is of the opinion it should be considered an overpayment to the state and the negative line merely recoups the overpayment for the MMS. Current FOGRMA statutes preclude the MMS from paying interest to a payor company who overpays and requests a refund of royalties. In essence, the MMS is recovering its overpayment to the state and assessing the state for the time value of money used by the state. We have found no regulation which allows the MMS to assess interest against royalty recipients in cases of overpayments. Payor companies are assessed interest on late payments to the MMS, but the State of Wyoming is not a royalty payor.

2. The other area of concern is MMS policy of establishing its liability for late disbursements to the states based on royalty reports rather than cash receipt dates. During an internal review by our staff of the accruals of late disbursement interest, it came to our attention that several times during fiscal years 1985, 1986 and 1987, royalty payors submitted payments which remained in MMS coffers for an additional month without accruing interest to the state. This happens when the last business day of the month falls on a Friday; the payments are received on Friday and the reports are received the following Monday of the succeeding month. Because royalty disbursements are based on receipt of reports, royalties in these circumstances are distributed thirty days late. We have attached the "Federal Disbursement By State" report, and have highlighted the months in which this occurred in FY 1987. As the numbers document, large variances in distribution occur when the last day of the month falls on a Friday, Saturday or Sunday.

We are aware that MMS is developing a system enhancement to calculate interest liabilities for late disbursements on the receipt of a payment and hopes to have this system enhancement in place by December 1988. We recommend that the enhancement be used retroactively from the date of conversion to AFS to correct the previous erroneous late disbursement interest to the states.

II. ROYALTY VALUATION STANDARDS DIVISION

The Wyoming State Auditor's Office congratulates this division and MMS for publishing the oil and gas regulations. We do not agree with all the guidelines, but in most instances feel they are workable.

The I.G., in one of its recommendations within the report, stated that the MMS review division personnel requirements under the new guidelines and subsequently retain only those employees required to maintain regulations and answer questions on regulatory and policy issues. We disagree. Because this division is called on by multiple entities to provide technical and regulatory expertise on product valuations, staffing is of utmost importance. Any effort to reduce staff level, we feel, will only further harm the Royalty Management Program and reduce communication levels with industry and states.

Improvements are needed in the area of communication between states and RVSD, but we feel this can be accomplished. We are deeply concerned that because of the workload brought on by the new regulations, RVSD will make this its major priority and thereby delay requests, approvals and determinations concerning the previous regulations. Because our work includes auditing under both the new and old regulations, we hope that RVSD will treat our requests as high priority. We have been informed that this might not be the case, because system enhancements must be developed as a result of the new regulations and company/state requests are established as lower priority. Any delay, by RVSD on our requests or on company requests based on audits only lengthens the audit completion timetable and causes friction among all groups involved.

Increased communication could be accomplished if RVSD establishes internal valuation papers on changing situations in the oil and gas industry. Because RVSD, in most instances, is cognizant of changing situations concerning royalty valuations, additional effort should be made to speedily communicate and present these changing situations to audit groups. In the past, when our auditing efforts have been affected by changing situations, additional time and money has been expended as a result of this division determination. Any type of one-on-one communication, discussing oil and gas issues, would, without a doubt, be beneficial to all parties.

III. Auditing/Royalty Compliance Division

To be fully aware of any mineral audit program currently involved with the Minerals Management Service, one must look at the history of the program as a whole. Wyoming's was developed based upon numerous accusations, in 1981, that this state, along with the Wind River Indians and the federal government, were being annually cheated out of millions of dollars by royalty payors. Dollar collections were attached as an indicator of success of our program. Even though this approach has lessened in recent years, it is still somewhat tied to our program.

We agree with the Office of the Inspector General that Wyoming's program performed issue-based audits in previous years and we are proud of the fact that this method produced more than $42 million to the federal and state government since 1981. However, with the inception of FOGRMA; RCD increasing staff and completion of lookback audits; and various constituents concerned with audit coverage, it became apparent that increased audit coverage, coordination and communication was needed. Wyoming has now changed its audit method to company-based audits and is making every effort to communicate with RCD.

We feel the proposed audit plan established by RCD, states and tribes, is workable if we communicate and meet at various times to discuss each group's audit process. Audit duplication should decrease and audit coverage increase. Within the plan, however, we do take exception to the fact that if RCD completes a company audit without state participation, it is MMS's position that completion of its audit will act to preclude a state or tribe from auditing or issuing findings for the period covered by the MMS audit. Wyoming does not feel RCD has the authority or right to establish these limitations.

Another problem area which has occurred in recent months is the abrogation of MMS in Section C.5.b. of our "205" Delegated Audit Agreement. This section states:

> "The MMS shall provide the State copies of all pleadings and correspondence relating to cases under administrative or judicial appeal. The MMS will provide at least one week's prior notice to the State of any meetings, conferences, or additional audit work with the appellant companies and afford State representatives the opportunity to attend said meetings or participate in the additional work."

The obvious intent of the section is to give the state the facts necessary to follow the progress of the audits and appeals and to determine if it wishes to participate in a particular case. Wyoming, along with other states, has notified MMS of our dissatisfaction with MMS's failure to comply with this section. We hope that if any further discussions are to be held, we are adequately notified of such and given the opportunity to participate.

IV. Delegation Funding

Wyoming actively participated in the Royalty Management Advisory Committee hearings and panels, including the Systems Improvement Panel. In that panel's approved report, it was requested that the Department of the Interior pursue legislation to extend Sections 202 through 205 of FOGRMA to leasable solid minerals and geothermal production.

Wyoming contains nearly 121 billion tons of coal, 36 percent of the nation's recoverable uranium ore, and the largest deposits of trona in the United States, along with a variety of other minerals. Revenue received from these vast mineral resources is critically important to the people of Wyoming. As a result, competent legislative authority in the area of solid mineral royalty collection is imperative to protect those interests. Any legislation authorizing Section 202/205 audit delegation for solid minerals would not only benefit and protect America's interest in these revenues, but also Wyoming's.

Another concern which Wyoming shares with other participating states is our ability to maintain a federal audit program with well-qualified auditors. Because of the lack of salary increases and the lack of promotions, our office has experienced considerable turnover over the years, with the concomitant loss of a great deal of valuable expertise. By retaining qualified auditors, our program can grow along with the Minerals Management Service. Any help that this Committee or the Department of the Interior can provide through changing the funding procedures, will go a long way in maintaining quality state mineral audit programs.

V. Bureau of Land Management (BLM)

We have reviewed the testimony before this subcommittee by Mr. Roland Robinson, Deputy Director, Bureau of Land Management and offer the following comments.

We are in agreement that the joint steering committee is an excellent tool to improve and exchange information among agencies in the areas of mineral and royalty management. However, this office feels that this committee is missing one important link and that is participation by states and Indians with 202/205 audit delegations. Input and participation by our groups would go far in streamlining issues and concerns which are audit related.

The following is one case which we feel could have been resolved much earlier had we been given the opportunity to participate on the joint steering committee. The issue at hand is BLM's erroneous approval of a royalty credit for substitute fuel from outside a federal lease to be used in conjunction with a steam flood unit. (See attachment.) Wyoming has requested three times in the past two years, status updates from the State Director of Wyoming's BLM. Each time the response has been that the case findings have been sent to the Director's Office of BLM in Washington D.C. Personnel within the MMS have told this office that BLM has made a determination but will not issue it because of its original incorrect approval and the ramifications of same. We have estimated approximately one million royalty dollars at issue.

This is only one case of many which could be discussed. However, the issue at hand is that audit issues and requests could be resolved through teamwork, coordination and audit delegation participation within the steering committee and possibly cases similar to this one would not enter the quagmire of federal bureaucracy.

I hope these comments will lend some guidance to this Committee on issues that are of concern to the State of Wyoming and this program. Some improvements have been made within the Royalty Management Program; however, we feel there is still room for improvement. Because MMS, states and tribes must work together to achieve everyone's goals, communication and coordination are imperative if this is to be accomplished.

RMP COLLECTION AND DISBURSEMENT REPORTS
FEDERAL DISBURSEMENTS BY STATE
FISCAL YEAR 1987

STATE	OCT	NOV	DEC	JAN	FEB	MAR	SIX-MONTH TOTAL
ALABAMA	$ 4,897.53	$ 2,849.90	$ 5,108.64	$ 11,722.53	$ 12,436.21	$ 3,985.04	$ 40,999.85
ALASKA	877,737.80	1,156,709.86	1,052,470.04	1,088,169.53	987,565.39	846,603.07	6,009,255.69
ARIZONA	21,271.84	30,634.50	13,275.50	20,788.50	41,028.00	59,649.00	186,647.34
ARKANSAS	29,881.07	19,795.55	15,748.91	1,145.89	25,139.81	55,061.10	146,772.33
CALIFORNIA	1,674,435.41	1,653,197.46	2,119,215.55	1,917,819.92	2,984,807.90	2,006,629.19	12,351,105.43
COLORADO	3,051,801.99	2,361,414.85	2,360,376.72	2,299,394.56	1,066,039.45	2,635,782.05	13,774,809.62
FLORIDA	2,212.73	1,252.60	351.50	571.50	1,193.50	0.00	5,581.83
IDAHO	87,742.25	265,545.72	122,244.61	79,909.04	77,964.05	51,520.49	684,926.16
KANSAS	72,864.96	39,515.69	39,545.70	55,185.09	42,018.00	94,170.85	343,300.29
LOUISIANA	1,290,295.37	957,078.33	720,175.24	866,855.20	23,285.75	1,607,067.75	5,464,757.64
MICHIGAN	1,098.61	2,215.29	762.47	140.00	0.00	0.00	4,216.37
MINNESOTA	0.00	0.00	961.00	0.00	0.00	547.00	1,508.00
MISSISSIPPI	19,098.19	13,464.31	5,650.97	11,874.19	9,662.11	16,126.32	75,876.09
MONTANA	1,139,242.62	1,653,617.20	1,638,338.88	2,519,535.47	1,507,331.70	1,507,301.21	9,965,367.08
NEBRASKA	13,832.81	9,808.33	14,288.91	14,563.88	7,968.61	10,065.12	70,527.66
NEVADA	462,137.31	346,745.43	301,447.25	414,556.21	294,150.83	266,342.48	2,085,379.51
NEW MEXICO	7,226,350.36	5,050,809.12	4,661,307.88	3,656,810.24	4,244,964.08	4,786,224.64	29,626,466.32
NORTH DAKOTA	710,713.43	436,514.81	621,275.15	662,141.25	535,454.72	459,619.02	3,425,718.38
OHIO	0.00	0.00	30.00	0.00	0.00	165.00	195.00
OKLAHOMA	139,614.89	173,919.77	57,108.20	94,876.64	93,279.51	109,849.48	668,648.49
OREGON	25,008.00	16,899.00	44,439.50	60,026.99	54,765.00	46,607.00	247,745.49
SOUTH DAKOTA	41,988.69	57,866.77	46,855.80	63,340.96	57,611.52	62,036.54	329,700.28
TENNESSEE	0.00	125.50	0.00	0.00	0.00	0.00	125.50
TEXAS	1,056,452.65	236,245.90	266,482.87	281,815.02	93,148.86	406,247.49	2,340,392.79
UTAH	2,088,000.77	0.00	915,478.57	2,621,249.79	1,764,299.63	2,213,844.68	9,602,873.44
VIRGINIA	0.00	0.00	0.00	0.00	3,625.00	14,284.51	17,909.51
WASHINGTON	9,636.00	9,561.20	5,163.00	18,630.98	12,157.10	22,898.00	78,046.28
WISCONSIN	0.00	0.00	0.00	0.00	0.00	160.00	160.00
WYOMING	10,531,243.68	10,439,746.37 (1)	[redacted]	10,187,069.50	10,452,958.37	(2) [redacted]	66,348,504.00
SUB TOTAL	30,577,558.96	24,935,533.46	23,670,119.73	26,943,192.88	24,392,855.10	33,378,256.24	163,897,516.37
PLUS GRAMM-RUDMAN SEQUESTRATION	23,895,000.00	0.00	0.00	0.00	0.00	0.00	23,895,000.00
PLUS SECTION 8(G) SETTLEMENT	640,699,503.77	0.00	0.00	0.00	0.00	0.00	640,699,503.77
TOTAL	$695,172,062.73	$24,935,533.46	$23,670,119.73	$26,943,192.88	$24,392,855.10	$33,378,256.24	$828,492,020.14

(1) November 1986 receipts paid/disbursed in December. November 28 falls on a Friday
(2) March distribution is so large because it was affected by the fact that the last days of January & February fall on Saturdays.

RMP COLLECTION AND DISBURSEMENT REPORTS
FEDERAL DISBURSEMENTS BY STATE
FISCAL YEAR 1987

STATE	APR	MAY	JUN	JUL	AUG	SEP	FISCAL YEAR TO DATE
ALABAMA	$ 21,292.44	$ 18,580.67	$ 41,894.75	$ 20,841.52	$ 46,312.28	13,349.60	$ 203,271.11
ALASKA	986,985.06	906,563.48	734,500.86	1,088,799.29	617,794.43	958,141.45	11,302,040.26
ARIZONA	52,125.50	40,067.00	32,877.50	55,774.50	29,189.00	73,146.54	469,827.38
ARKANSAS	49,295.56	22,704.21	23,215.13	17,299.85	12,474.09	1,822.21	273,583.38
CALIFORNIA	2,298,559.69	2,099,373.51	1,573,737.89	3,261,106.97	2,239,241.86	2,857,427.76	26,680,553.11
COLORADO	6,635,813.36	3,457,694.64	2,466,495.90	3,483,040.08	2,302,289.74	2,473,085.39	34,593,228.73
FLORIDA	4,255.50	0.00	7,934.16	4,332.50	188.00	1.00	22,292.99
IDAHO	78,737.25	112,812.76	51,652.13	76,229.44	92,587.27	140,284.58	1,237,229.59
KANSAS	98,963.12	489,835.04	188,292.69	34,994.56	118,238.14	32,680.26	1,306,304.10
LOUISIANA	1,751,340.22	960,916.69	480,217.44	2,771,234.03	2,565,625.98	832,939.57	14,827,031.57
MICHIGAN	0.00	0.00	0.00	21,611.41	19,832.28	8,073.40	53,733.46
MINNESOTA	0.00	0.00	187.38	0.00	544.50	150.00	7,389.88
MISSISSIPPI	22,605.71	11,307.48	11,712.29	32,342.70	8,479.38	9,062.07	171,385.72
MONTANA	7,642,165.94	1,639,210.61	1,275,069.27	1,542,913.25	1,731,476.25	2,573,642.31	26,369,844.71
NEBRASKA	13,968.24	12,056.85	8,249.53	24,447.14	12,095.05	13,337.99	154,682.46
NEVADA	461,323.27	411,157.52	347,991.15	668,549.76	400,554.56	362,985.70	4,737,941.47
NEW MEXICO	8,015,075.98	4,288,639.65	3,975,278.80	8,145,056.53	6,812,565.57	8,196,778.79	69,059,861.64
NORTH DAKOTA	561,396.90	665,404.78	171,321.10	677,307.64	437,163.78	453,204.24	6,391,516.82
OHIO	0.00	0.00	0.00	0.00	0.00	0.00	195.00
OKLAHOMA	146,830.84	164,271.43	63,498.23	209,816.17	126,222.85	97,005.05	1,476,293.06
OREGON	65,423.50	128,160.38	51,839.68	32,362.07	36,946.75	55,770.00	618,247.87
SOUTH DAKOTA	46,407.30	71,514.34	120,002.78	110,243.64	96,502.24	74,937.76	849,308.34
TENNESSEE	0.00	0.00	0.00	0.00	0.00	52.50	178.00
TEXAS	1,120,253.70	486,624.97	494,811.09	799,149.65	407,877.34	356,652.02	6,005,761.56
UTAH	3,132,773.17	2,863,727.52	957,219.06	2,193,289.53	2,386,119.31	1,480,160.06	22,616,162.09
VIRGINIA	0.00	0.00	0.00	0.00	0.00	0.00	17,909.51
WASHINGTON	29,772.50	60,523.01	16,054.50	15,004.50	30,280.80	32,067.00	261,748.59
WISCONSIN	0.00	0.00	0.00	361.50	0.00	0.00	521.50
WYOMING	15,847,061.95	13,598,591.46	(1) 6,755,700.00	17,521,998.68	(2) 12,928,122.00	9,828,734.91	142,828,801.68
SUB-TOTAL	49,082,426.70	32,509,738.00	19,849,841.33	42,808,106.91	33,458,724.11	30,925,492.16	372,531,845.58
PLUS GRAMM-RUDMAN SEQUESTRATION	0.00	0.00	0.00	0.00	0.00	0.00	23,895,000.00
PLUS SECTION 8(G) SETTLEMENT	19,500,000.00	0.00	0.00	0.00	0.00	0.00	660,199,503.77
TOTAL	$68,582,426.70	$32,509,738.00	$19,849,841.33	$42,808,106.91	$33,458,724.11	$30,925,492.16	$1,056,626,349.35

(1) May receipts distributed in June. Last day of May falls on a Sunday.
(2) July receipts distributed in Aug. Last day of July falls on a Friday.

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P O BOX 25165
DENVER COLORADO 80225

IN REPLY
REFER TO

Mail Stop 653

MMS-RVS-OG:86-0436

23 1986

Memorandum

To: State Director, Bureau of Land Management, Cheyenne, Wyoming

From: Chief, Royalty Valuation and Standards Division

Subject: Approval to Substitute Fuel from an Outside Source for Use in a Steam Injection Project on Lease Cheyenne 037867, South Casper Creek Field, Natrona County, Wyoming

By letter dated October 1, 1981 (copy attached), the Acting Deputy Conservation Manager for Oil and Gas, North Central Region, U. S. Geological Survey, granted approval for Union Oil Company of California (Union) to receive royalty credit for a substitute fuel from outside the lease to be used in conjunction with a steam flood on lease Cheyenne 037867, South Casper Creek Field, Natrona County, Wyoming. In May 1985, the Chief, Royalty Compliance Division, Minerals Management Service (MMS), requested that this approval be reviewed by Royalty Valuation and Standards Division for compliance with current policies and standards. By memorandum dated December 20, 1985, we transmitted our "Findings and Conclusions" (copy attached) on the matter to the Chief, Royalty Compliance Division. In summary, we concluded that no authority exists to exchange lease production for a different type of fuel from other sources and receive a royalty credit.

By memorandum dated April 17, 1986, the Chief, Office of State and Tribal Program Support requested that we officially advise Union that the instructions contained in the October 1, 1981, letter are overturned. However, in accordance with Section V.J. of the Memorandum of Understanding between the Bureau of Land Management (BLM) and MMS, BLM has final responsibility for "determination of royalty free lease use or other disposition." Accordingly, we request that you review this matter and, if you concur with our determination, that you advise Union that the October 1, 1981, letter is incorrect. In that event, it is requested that you also advise Union to submit amended forms MMS-2014 to MMS, within a timeframe you consider appropriate, for lease Cheyenne 037867 and any other leases in the South Casper Creek Field for which a royalty credit has been taken for substitute

fuel use. Also, please advise them that the additional royalty due should be submitted to MMS within the same period of time. Since the approval given was on a barrel-for-barrel basis, the additional royalty due each month is computed by multiplying: (1) the number of barrels of substitute fuel used, by (2) the oil value on which royalty was computed and paid, by (3) the lease royalty rate. If gas was used as a substitute fuel, the volume used in a given month should be converted to barrels of oil by dividing the volume of gas (Mcf) used at 14.73 psia and 60°F by a factor of 5.296 as specified in the October 1, 1981, approval letter.

Please advise us of your decision on this matter, and provide us and the Office of State and Tribal Program Support, P.O. Box 25165, M.S. 658, Denver, Colorado, 80225, with a copy of all correspondence.

Your cooperation is appreciated. Should you have any questions regarding this matter, please contact us at (303) 231-3392 or FTS 326-3392.

Bill Feldmiller

William H. Feldmiller

2 Attachments

GEOLOGICAL SURVEY
P.O. BOX 2859
CASPER, WYOMING 82602

RECEIVED
OCT 2 1981
CASPER OPERATIONS

W. B. FLINT, JR.

OCT 2 1981

WBF	
AGS	
LLR	
RGL	
IRH	
File	

2102 EL

October 1, 1981

Union Oil Company of California
P.O. Box 2620
Casper, Wyoming 82602

Gentlemen:

With minor revision, your request for royalty credit for alternate fuel for the steam flood in the South Casper Creek field, is hereby approved, effective October 1, 1981.

The following conditions will apply.

1. A barrel of outside fuel oil will equal one barrel of produced oil as a royalty credit.

2. If gas is used, 5.296 Mcf of gas will credit as one barrel of lease oil for royalty accounting.

3. Monthly net royalty will never be less than zero. That is, outside fuel credit cannot exceed production royalty volume for any monthly period.

4. Fuel (gas or oil) will be measured in an industry acceptable manner. such as an orifice meter for gas or a positive displacment meter for oil.

5. Each monthly report (both 9-329 and 9-361) will show a balance of credit against royalty. This lease, C-037867, is a step scale lease. Gross royalty barrels and royalty credit will be based on the lease production rate. For example, assuming an applicable royalty rate of 14 percent for the month:

lease sales X 14 percent gross royalty =
-14 percent of barrels of fuel oil used =
-14 percent of Mct of fuel gas used/5.296 =_____
net royalty barrels due =

7. The Geological Survey district office (Casper) will be notified in sufficient time to witness calibration of fuel meters and facility will be open to the Geological Survey inspection during normal operating hours.

The conversion of gas to oil (5.296) was estimated as follows from analysis data filed:

Quality from N.U. contract: 950 to 1100 Btu/cu. ft. @14.7psia (Dry)

Conversion:

1. Contract ave. Btu/cu. ft. = (950+1100)/2 = 1025 Btu/ cu. ft.
2. H_2O (wet) correction = 0.9825 X 1025 = 1007 Btu/ cu. ft. (Wet)
3. Pressure correction = $\frac{14.73}{14.7}$ X 1007 = 1009 Btu/ cu. ft.

Sweet oil ave. Btu/bbl (5.366 + 5.321)/2 + 5.344 MM Btu/bbl.

Gas equivalent = $\frac{5,344,000 \text{ Btu/bbl}}{1009,000 \text{ Btu/Mct.}}$ = 5.296 Mcf/bbl.

If you have questions about, or disagree with the above, please arrange for a conference with this office.

Sincerely yours,

Jim Sims

Jim Sims
Acting Deputy Conservation Manager
for Oil and Gas, North Central Region

ROYALTY MANAGEMENT PROGRAM
ROYALTY VALUATION AND STANDARDS DIVISION

Findings and Conclusions
on
Use of Substitute Fuel for Lease Use
Lease Cheyenne 037867, South Casper Creek Field,
Natrona County, Wyoming

Background

By a handwritten "Routing and Transmittal Slip" dated May 16, 1985, Judy Trudeau, Office of State and Tribal Program Support, transmitted to Royalty Valuation and Standards Division (RVSD) a copy of a letter dated October 1, 1981, from the Acting Deputy Conservation Manager for Oil and Gas, North Central Region, to Union Oil Company of California (Union). The letter approved Union's request for royalty credit for substitute fuel to be used in conjunction with a steam flood on lease Cheyenne 037867, South Casper Creek Field, Natrona County, Wyoming. Ms. Trudeau's note advised that the Chief, Royalty Compliance Division, requested that this approval be reviewed by RVSD for consistency with current policies and standards.

Findings

- By letter dated April 24, 1981, Union requested approval to use a substitute fuel (either low sulfur content crude oil or natural gas) in lieu of the low-gravity, high-sulfur-content (4.4% by weight) crude oil produced from lease Cheyenne 037867, in conjunction with a steam flood to be initiated on the lease. In October 1980, lease production averaged 496 barrels of oil per day and nearly 13,000 barrels of water per day.

- Union stated the following benefits would accrue by approval of its application:

  (1) The steam flood project would not have to be delayed pending installation of the equipment necessary to "scrub" the sulfur dioxide rich stack gases which would result from burning the lease crude in a steam generator.

  (2) Potential pollution problems from scrubber malfunctions would not be a factor with a "clean burning" fuel source.

  (3) All the production attributable to the steam drive project would be available for sale. Union stated that, initially, all produced crude could be used for beneficial purposes to fire steam generators, thereby eliminating any royalty revenue.

- Union referred to the Mt. Poso Field North Unit Area, Kern County, California, as precedent for its request regarding lease Cheyenne 037867, South Casper Creek Field. Union cited Sections 16.3 and 16.4 of the Unit

Agreement as follows and stated that, in its view, NTL-4A, dated January 5, 1980, negated provision 16.4.

> "16.3 Substitute Power and Substances. If Unit Operator substitutes fuel or power from an outside source for fuel or power obtainable from Unitized Substances, the amount of Unitized Substances so produced and delivered to Working Interest Owners which would otherwise have been used for fuel or power shall (subject to the express provisions of any particular lease) be free of royalty or other payment, as provided in Section 16.2 above, the same as if this amount of Unitized Substances had been used in Unit Operations.
>
> "16.4 Exception. The provisions of Sections 16.2 and 16.3 of this Article 16 shall be inapplicable with respect to royalty payable to the United States to the extent that the application of such provisions would be in conflict with existing statutes and/or valid regulations issued pursuant thereto."

- The Mt. Poso North Unit encompasses a total of 400 acres of which 40 acres are within a Federal lease and the form of agreement is not the standard Federal form.

- By memorandum dated September 3, 1981, the Acting Deputy Division Chief for Royalty Management advised the Conservation Manager, North Central Region, that the use of substitute fuel from an outside source by Union for the steam injection project "is authorized." He also stated that a barrel-for-barrel equivalent should be used rather than a thermal equivalent.

- By letter dated September 14, 1981, the Acting Deputy Conservation Manager advised Union that its application was approved. Two subsequent letters between the offices clarified reporting procedures and the calculation procedure for converting gas fuel to equivalent barrels of oil.

- The Mineral Leasing Act of 1920, as amended, provides that royalty will be computed at "...such royalty as may be fixed in the lease which shall not be less than 12 1/2 per centum in amount or value of the production removed or sold from the lease...."

- Section 39 of the Mineral Leasing Act of 1920 states in part:

> "Sec. 39. The Secretary of the Interior for the purpose of encouraging the greatest ultimate recovery of coal, oil, or gas and in the interest of conservation of natural resources is authorized to waive, suspend, or reduce the rental, or minimum royalty, or reduce the royalty on an entire leasehold, or on any tract or portion thereof segregated for royalty purposes, whenever in his judgment it is necessary to do so in order to promote development, or whenever in his judgment the leases cannot be successfully operated under the terms provided therein...."

- The standard noncompetitive public domain lease form provides as follows:

  "To pay to lessor 12 1/2 percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (30 CFR Part 221)."

- Schedule "B" of the standard competitive public domain lease form provides as follows:

  "To pay the lessor the following royalty on production removed or sold from the leased lands:"

- 43 CFR Part 3103.3-7, Waiver, Suspension or Reduction of Rental or Minimum Royalty, provides for the reduction of royalties upon an application from the lessee. The application must contain economic justification and other requirements.

- 43 CFR 3162.7, "Measurement, Disposition and Protection of Production," Section (a), reads as follows:

  "The lessee shall put into marketable condition, if economically feasible, all oil, other hydrocarbons, gas, and sulphur produced from the leased land."

- The Bureau of Land Management Manual R67-CDM, 646, Chapter 1, Paragraph B, Criteria for Royalty Reduction requires that the reason for royalty reduction must be economic.

- The Memorandum of Understanding between Minerals Management Service and the Bureau of Land Management (BLM), Attachment C - Royalty Reduction, Onshore Minerals, requires that the BLM conduct a comprehensive economic evaluation. MMS will conduct a financial audit of the operations.

- NTL-4A states as follows:

  "No royalty obligation shall accrue as to that produced oil which (1) is used on the same lease, same communitized tract, or same unitized participating area for beneficial purposes...." and

  "No royalty obligation shall accrue on any produced gas which (1) is used on the same lease, same communitized tract, or same unitized participating area for beneficial purposes,..." and

  "B. 'Beneficial purposes' shall mean that oil or gas which is produced from a lease, communitized tract, or unitized participating area and which is used on or for the benefit of that same lease, same communitized tract, or same unitized participating area for operating or producing purposes such as (1) fuel in lifting oil or gas, (2) fuel in the heating of oil or gas for the purposes of placing it in a merchantable condition, (3) fuel in compressing gas for the purposes of

placing it in a marketable condition, or (4) fuel for firing steam generators for the enhanced recovery of oil...."

Conclusions

* The approval of a substitute fuel could either increase or decrease Federal royalty, depending upon the current market price and the heat content of the substitute fuel as compared to the current market price and the heat content of the lease fuel.

* The lease terms, the regulations, and court decisions require the operator to place the lease products in marketable condition at no cost to the lessor.

* As referred to in Section 16.4 of the Mt. Poso Field North Unit Area, the application of Section 16.2, "Substitute Power and Substances," is not applicable to royalty payable to the United States because it is in conflict with existing statutes and regulations.

* The authority to reduce a lease royalty rate is provided under Section 39 of the Mineral Leasing Act of 1920, as amended. Regulation 43 CFR 3103.3-7 and the BLM Manual R67-CDM, 646, Chapter 1, require that royalty reduction be based on economics.

* The Mineral Leasing Act of 1920, as amended, provides that royalty be computed at not less than 12 1/2 percent in amount or value of production removed or sold. It does not provide authority to suspend or waive the lease royalty rate specified in the lease agreement.

* The Federal lessee has sole responsibility to provide the necessary power to operate lease equipment and put lease production in marketable condition. The fact that the preferred type of lease hydrocarbons--or even that there are no combustible hydrocarbons--is not available in the field does not obligate the lessor either to share the cost of providing the necessary energy or to allow a royalty credit for a substitute fuel. Although the lease and regulations provide for royalty-free use of hydrocarbons for lease fuel, they do not grant the lessee the right to substitute fuels which are not available on the lease and to receive a royalty credit for such use.

* Since there is no authority to exchange lease production for a different type of fuel and to receive a royalty credit, the approval given to Union by letter dated September 14, 1981, should be overturned.

* If Union believes that the lease cannot be successfully operated under the terms provided in the lease, it may file for a reduction in royalty as provided in the lease with the Bureau of Land Management in accordance with 43 CFR Part 3103.3-7.

STATEMENT OF THE SOUTHERN UTE INDIAN TRIBE
FOR THE RECORD OF THE HEARING BEFORE
THE SUBCOMMITTEE ON MINERAL DEVELOPMENT AND PRODUCTION
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
JULY 12, 1988

The Southern Ute Indian Tribe is grateful for the opportunity to present our statement to the members of this distinguished Subcommittee. The Southern Ute Indian Tribe, as one of the energy resource producing tribes, has been keenly interested in the performance of those agencies charged with the protection and management of Indian mineral resources.

AUDITS AND VALUATION

A. AUDIT FUNDING

While the development by MMS of an audit strategy that incorporates State and Tribal participation is commendable, we are concerned about certain of the policies promoted by the strategy. While Tribes with cooperative or joint audit agreements with MMS are permitted to join an MMS scheduled audit, without adequate funding, such participation is, as a practical matter, discouraged. Congress, through FOGRMA, has expressed that Tribal capabilities be "effectively" utilized in the establishment and maintenance of a royalty management system and the effect of inadequate funding of a Tribal audit program is a reduction of participation and a frustration of the intent of FOGRMA.

The Southern Ute Indian Tribe in May, 1987, applied with the Bureau of Indian Affairs for contract funding under P.L. 93-638 to enable the Tribe to effectively participate in royalty

audits. The Bureau responded that no Bureau funds were disignated for this purpose and that the MMS "has the delegated authority to conduct audits on Indian mineral leases." The Tribe acting on the Bureau's response, requested in May, 1988, to contract with the MMS for identical audit program funding. The most recent formal response from the MMS indicated that MMS is not authorized to fund contracts under Public Law 93-638. Although subsequent informal discussions with MMS representatives have led the Tribe to believe that the MMS may reverse its previous opinion, the issue remains that the interagency juggling of our contract application has unnecessarily postponed the effective utilization of Tribal capabilities.

B. THE BUREAU OF INDIAN AFFAIRS AUDIT REFERRAL PROCEDURE

The Memorandum of Understanding between the MMS and BIA and the BIA/MMS Indian Lease Audit Strategy (September 30, 1985) requires that an Indian lessor must contact the BIA (rather than MMS) with an audit referral. In September 1986, the Tribe initiated a referral action with an inquiry on a specific lease. Nearly two years later the referral had completed it's journey through the Bureau's various offices and was referred from BIA to MMS. In another instance, the Tribe referred an inquiry directly to MMS in April, 1985, before the Indian Audit Strategy was in place. The MMS referred the inquiry to BIA in May, 1985, and two and a half years later the inquiry was referred back to MMS by BIA.

These experiences have not contributed to a healthy sense of confidence in the Bureau's ability to function effectively within the provisions of the Indian Audit Strategy.

C. MAJOR PORTION PRICE ANALYSIS

The current MMS policy regarding calculation of the major portion price is to require that the calculation be performed by the auditor at the time an audit is conducted. We submit that the calculation is beyond the practical function of an audit and should be performed routinely on a monthly basis for every field where there exists an Indian lease. We further submit that this calculation should be performed by an MMS division other than the Royalty Compliance Division and the monthly results of the calculation be published periodicall in the Federal Register in order that lessees of Indian minerals may determine whether their royalty payments comply with their lease terms.

The Tribe has been informed that MMS is testing various fields in New Mexico for the feasibility of calculating the major portion price, however, as one MMS representative from the Royalty Valuation and Standards Division has expressed, any practical application of the major portion analysis on any routine basis for the Southern Ute Tribe is not being contempleted, yet the analysis is required by our leases, by Title 30 C.F.R. and by the Royalty Gas Act of 1987.

D. ESTABLISHMENT OF AN INDIAN ROYALTY COMPLIANCE DIVISION

As expressed previously in this statement, the Tribe does not enjoy full confidence in the Bureau of Indian Affairs' and the Minerals Management Service's handling of the funding, audit referral and major portion analysis issues. In an effort to aid in the improvement of the system for addressing Indian

mineral issues, the Tribe has suggested that a separate "Indian desk" be established within the MMS. We envision that this office will be granted sufficient organizational authority to promote, investigate, resolve and communicate Indian Mineral issues with the other Divisions within MMS, the Indian lessor, the sister agencies within the Department, and the public.

Congress expressed through FOGRMA that of particular importance is the Secretarial discharge of his statutory and trust responsibility related to Indian oil and gas matters. We submit that the establishment of such an office with the exclusive duties related to Indian issues would enhance the Secretary's ability to discharge his trust responsibility, most particularly in the areas previously discussed.

On behalf of the Southern Ute Indian Tribal Council, I would like to express our appreciation for the opportunity to present this statement to the Subcommittee and our sincere hope that it will contribute to the improvement of the management of Indian mineral resources.

Leonard C. Burch

Leonard C. Burch, Chairman
Southern Ute Indian Tribal Council